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ABSTRACT

These hearings transcripts present discussions on amendments offered by the Committee on Education and Labor to H.R. 8, the Healthy Meals for Healthy Americans Act of 1994, which will reauthorize and improve the national school lunch program and the child nutrition programs under the National School Lunch (NSL) Act and the Child Nutrition Act of 1966. Statements and testimony are presented for the following: (1) Senator Charles Stenholm (Texas); (2) Senator William Goodling (Pennsylvania), who emphasized that the national school lunch program should expand to serve a larger number of children; (3) Ellen Haas, assistant secretary of Food and Consumer Services, Department of Agriculture, who advocated improving the distribution of commodities; (4) Pat Holstein, director of food service of a South Carolina school district; (5) Marilyn A. Hurt, the chair of the public policy and legislative committee of the American School Food Service Association; (6) Catherine Miller, the president of the American Commodity Distribution Association; and (7) Richard Pasco, vice-president of government affairs of the National Pork Producers Council. (AP)

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HEALTHY MEALS FOR HEALTHY AMERICANS ACT OF 1994

(Commodity Letter of Credit—CLOC)

ED 383 439

HEARING

BEFORE THE

SUBCOMMITTEE ON DEPARTMENT OPERATIONS AND NUTRITION

OF THE

COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

SECOND SESSION

ON

H.R. 8

JUNE 9, 1994

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HEALTHY MEALS FOR HEALTHY AMERICANS ACT OF 1994

THURSDAY, JUNE 9, 1994

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON DEPARTMENT
OPERATIONS AND NUTRITION,
COMMITTEE ON AGRICULTURE,
Washington, DC.

The subcommittee met, pursuant to call, at 2 p.m., in room 1300, Longworth House Office Building, Hon. Charles W. Stenholm (chairman of the subcommittee) presiding.

Present: Representatives Sarpalius, Dooley, Inslee, Volkmer, Farr, Pomeroy, Gunderson, Ewing, and Canady.

Staff present: Julia M. Paradis, assistant counsel; Jan Rovecamp, clerk; Anita R. Brown and Lynn Gallagher.

OPENING STATEMENT OF HON. CHARLES W. STENHOLM, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. STENHOLM. The subcommittee will come to order.

Good afternoon, and welcome to this hearing on certain provisions of H.R. 8 which are of great interest to this subcommittee. As you all know, the Healthy Meals for Healthy Americans Act of 1994 was recently reported out of the Committee on Education and Labor. It has been sequentially referred to the Committee on Agriculture. This important legislation will reauthorize the national school lunch program and the child nutrition programs.

I commend Chairman Ford and subcommittee Chairman Dale Kildee, and the other Members on the Committee of Education and Labor for their hard work in crafting a bill, during a time of exceedingly scarce resources, that maintains and improves these vital nutrition programs.

This afternoon we will review several provisions in the bill that would expand the commodity letter of credit, or CLOC, provisions of the national School Lunch Act and make the CLOC demonstration projects permanent. For those not familiar with the CLOC projects, let me take a minute to explain them.

Over 15,000 school districts participate in USDA's national school lunch program. These school districts receive cash subsidies and agricultural commodities purchased by USDA under price support and surplus removal programs. Schools are entitled under the national School Lunch Act to receive commodities equal in value to 14 cents per meal. These commodities are called "entitlement commodities." Additional commodities are distributed to schools when

such commodities are available. These commodities are called "bonus commodities."

In 1980, the Congress enacted legislation which required USDA to implement a 3-year demonstration project to test the feasibility of replacing donated entitlement commodities with additional cash payments or commodity letters of credit.

Twenty-nine school districts receive checks equivalent to the value of the USDA entitlement commodities that they would otherwise receive, and another 26 school districts receive commodity letters of credit, instead of the entitlement commodities that they would otherwise receive, to purchase specific commodities or products containing those commodities from local sources within a designated time period.

The authority for these demonstration projects has three times been extended and will expire at the end of this fiscal year. H.R. 8, as reported by the Committee on Education and Labor, provides three CLOC provisions. The first would make permanent the current cash and CLOC demonstration sites.

The second provision would authorize one statewide CLOC demonstration program in a State where 80 percent or more of the school districts participating in the school lunch program elect to participate in the statewide CLOC program.

The third provision would authorize the Secretary of Agriculture to provide to schools a commodity letter of credit in an amount equal to 10 percent of their commodity entitlement to be used to purchase fresh fruits and vegetables.

The U.S. Department of Agriculture and agricultural commodities producers have informed us that they oppose continuation and expansion of the use of CLOC's. We look forward to hearing from them this morning, or this afternoon.

We also look forward to hearing from Congressman Goodling, who has long been a strong supporter of the CLOC provisions of H.R. 8. And we are fortunate to have with us the food service director from a CLOC site in South Carolina, and her testimony will describe for us how the CLOC system works for her school.

We have asked our witnesses to discuss not only the CLOC provisions of H.R. 8, but also how well the CLOC mechanism achieves the dual goals of the commodity distribution program in the national school lunch program. Those goals are to provide nutritious food to the schools and to help stabilize agricultural markets. We are equally interested in learning how well the commodity distribution program achieves these two goals.

As we try to resolve this controversial issue, let me make clear my commitment to working with USDA, schools, and agricultural producers in making the commodity distribution program as user friendly for school food service directors as possible. Those of us at the Committee on Agriculture obviously want this program to work well for the agricultural community. But, we are equally committed to making this program work well for schools.

I understand that significant improvements have been made in the commodity distribution program since the Commodity Distribution Reform Act of 1987. If additional reforms are needed, I want to know about them. And I will work to see that they are implemented. Just as we are concerned that CLOC does not meet the

goal of stabilizing agricultural markets, we are also concerned if the commodity distribution program does not meet the needs of schools.

I hope that schools will feel free to discuss with the subcommittee at any time any concerns they might have with the commodity distribution program. I look forward to the testimony of our witnesses on this important issue, and thank each you for taking time to be with us today.

[H.R. 8 is held in the committee files.]

Mr. STENHOLM. I call our first witness, the Honorable William F. Goodling, a Member of Congress from Pennsylvania. Bill, welcome.

STATEMENT OF HON. WILLIAM F. GOODLING, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. GOODLING. Thank you, Mr. Chairman.

I would like to say that I will go a little more in depth than I normally would in testimony because I think it is an issue that we all need to know, if we are going to do what you just said in your opening remarks, work to make sure that these programs work for all people.

I preface that by saying that some years ago, I was coming from Carlisle back to York and I stopped at Peters' Orchard. Mr. Peters came out and said, you have to stop this CLOC—because he was brainwashed from people in Washington—boy, we can't have that. About 3 months later, I came by and bought a few more things from him and he came out and he said, you know what just happened? Bermudian Springs just canceled our apple order because they got a shipment in from Washington State. And I said, Mr. Peters, that is what I was trying to tell you before. We can remove surpluses early on and leave the Department of Agriculture in total control through CLOC.

I want to say up front that it is not my intention to try to replace the current commodity distribution program. I understand the importance of the program and I understand how important it was in the past when we had a lot of surplus commodities. Fortunately, some of the programs are now working, that you instituted, and so, in many situations those commodities are not out there.

As many of you are aware, I was reared on a farm and I have a great deal of respect for our Nation's farm community. I represent a district which depends heavily on agriculture, and I am proud to say that the district I represented was represented by my father who was a member of the Agriculture Committee here in DC for many years.

However, as a former principal, teacher, school board president, superintendent of schools, I also know firsthand the importance of proper nutrition to a child's performance in school, and, as a result, I strongly believe we need to ensure that there is a proper balance between our need to remove surplus commodities from the marketplace and our need to provide schoolchildren with healthy, nutritious meals which they will eat. Therefore, we need to ensure that the current commodity system is well-received by the schools and that the commodities which are provided to schools are acceptable to the participating children.

As you probably are aware, at the present time only 46 percent—I repeat, only 46 percent of paying children participate in the national school lunch program. To me, this is an indication that the meals currently offered under the national school lunch program must be improved so that they appeal to a larger number of children. Part of the improvement in meals must be an improvement in the types of commodities provided to the schools. For example, students who have not been exposed to salmon, figs, dates, and so on, may not eat them no matter how nutritious they are or how they are used by the school food service personnel. Children tend to consume what they have been exposed to in their homes and many children have not had experience with some of the commodities offered through the commodity distribution system.

I do recognize that efforts have been made over the past years to improve the current commodity distribution system and to address the problems which were behind the development of the original cash/CLOC that Mr. Ford and I pushed for many years.

Let me indicate here, Mr. Chairman, that I also think that it was our effort that helped to improve the commodity distribution program. For 10 years before that, I sat in committee and listened to all of these school food service people testify with the most horrendous stories you ever wanted to hear. We were always promised that the commodity distribution system would be improved. However, those same people who testified also were pretty well brainwashed and they said, but we can't do anything differently because if you put cash or CLOC out there and they don't get appropriated, then all of a sudden we won't have anything.

Well, you can't have it both ways. So I have to believe that the CLOC/cash effort had something to do with your efforts to improve the commodity distribution program.

I am here today, however, even though many of those earlier problems continue to exist, in a spirit of cooperation. I would like to see the current commodity program improved to the point where we do not need the cash/CLOC alternative. And I am willing to work with you toward such an end.

In the meantime, however, I would like to acquire your support for the cash/CLOC provisions contained in H.R. 8.

First and foremost, there is the provision making the current cash/CLOC sites permanent. As you will recall, cash/CLOC was developed at a time when there was a great deal of dissatisfaction with the commodity distribution system. Some of those problems included: High storage and transportation costs; receipt of commodities which were in poor condition; arrived at the wrong time of the school year; did not fit into the menu or meet the tastes of students; and receipt of commodities which were in a form that required a lot of processing.

Under the commodity letter of credit—CLOC—I also say that the Department has the best of both worlds. The school districts are provided with commodity letters of credit which they use to buy foods that contain specific types of commodities which the U.S. Department of Agriculture distributes under the regular commodity distribution program. They hold the key as to what it is these people can buy locally with their commodity letter of credit. In other words, those school districts participating in CLOC purchase locally

and in the form they prefer, the same commodities which USDA is providing to schools through the commodity distribution program.

Now you have heard many times the argument will be, "Well, if you don't keep a strong commodity distribution program, then we can't distribute our commodities." I always laugh about that because here is Kansas spread all over the West, and they get cash, but they also get their bonus commodities and have no problems whatsoever distributing their bonus commodities all over the State of Kansas.

Participants in the cash/CLOC program have the option of dropping out of these alternative projects at any time. However, none of the sites is currently interested in returning to the current system until such time as their original concerns have been addressed. They are not set up to participate in the current system and do not have the storage space to accommodate the commodities they would receive. Yet, every 2 to 4 years, they face the uncertainty of what the next year will bring and the problem of incurring costs related to returning to the current commodity distribution system.

Mr. Chairman, according to the participants in the cash/CLOC option, there are numerous benefits to the option: First, the removal of thousands of pounds of meat, vegetables, and fruits from the marketplace at their convenience without any additional cost to the taxpayer is one of the pluses of CLOC.

Second, a variety of menus, including those low in fat content—and you are going to hear that over and over and over again from Ms. Haas if she is not here today, she has been here before you before, I am sure, because she has been before our committee—and they can plan these without the interruption of unexpected commodity deliveries; the conversion of administrative cost savings to additional menu options; ability to purchase commodities in a form most preferable to children, including the ability to purchase the commodities which reflect the regional, cultural, and religious food preferences of students and that cuts down on plate waste.

Third, the increased ability to cut fat from the menu and serve fresh fruits and vegetables.

Fourth, decreased reliance on canned fruits and vegetables.

Fifth, more effective operation of school kitchens due to the elimination of the necessity of dealing with commodity deliveries and the time necessary to transport them from school to school; the ability to serve a more diverse menu to students; the ability to support locally owned companies and State agriculture; increased student participation; the ability of the district to control the type of products they buy and delivery times during the year; reduced need for large dry storage and freezer space; the ability to limit increases in the cost of the school lunch and breakfast programs; and the ability to receive adequate supplies of commodities to serve all students and to purchase commodities which do not require special processing or are labor intensive. This is just a small list of those that we have received from people participating in the program.

I have actually heard from a large number of school food service directors who are interested in becoming a cash/CLOC site. But at this point, Mr. Chairman, I am not seeking an expansion of the cash/CLOC sites. Rather, I just want to provide the current cash/CLOC sites with peace of mind and assure them that they may

continue to operate alternative programs until such time as they decide to drop out. In the meantime, I would like to work with you to improve the current commodity program to the point where current cash/CLOC sites would be more than willing to return to the current system.

I am also interested in allowing all schools to use CLOC to increase the number of fresh fruits and vegetables in the school meal program and have included such a provision in H.R. 8.

Part of our effort to improve the nutritional content of the school lunch and breakfast program will be to support the Department of Agriculture's efforts to increase fresh fruits and vegetables served to children participating in the school lunch program.

During hearings held by USDA prior to the development of their new nutrition objectives for schools, they heard from witnesses who requested an increase in fresh fruits and vegetables in the school meal programs and requested increased purchasing flexibility for local school food service authorities. In my view, the commodity letter of credit will provide us with the best possible mechanism to accomplish this goal until USDA is able to do so through the current system and in a manner acceptable to schools. Through the CLOC program, schools will be able to purchase fruits and vegetables locally, thus ensuring that they are fresh and in quantities most easily utilized by the school food service personnel.

I would like to provide you with a few examples of why we currently need an alternative mechanism to increase fresh fruits and vegetables in school lunch programs.

One school district was recently informed that their bonus commodities—fresh apples, pears, and grapefruits—would arrive at the distributors the week before spring break. This would not have happened had the school been able to purchase those commodities with CLOC. The prospect of spoilage was great under these circumstances.

A school in California received fresh oranges, of which more than 50 percent had to be discarded due to molding.

A school district in Pennsylvania received cases of fresh pears, 40 pounds per case, and found that there was not one usable whole fruit in any of the cases. This same school also received potatoes which were unusable but for which they had to pay a delivery fee and then dispose of them. And they still had them charged against their allocation.

A school district in Nevada shared with me their experience with fresh tomatoes under the current commodity system. In summary, to use the amount of tomatoes this particular district was allocated would have required them to serve one-half cup of fresh tomatoes to every child every day for a 2-week period. Since this was not acceptable, they could not accept the tomatoes.

A school district in Pennsylvania received a shipment of apples in 1994 which had no taste and most of which were discarded by students. If we want to improve the nutrition quality of school meals, we have to serve items students will eat.

I would like to point out that the legislation on fruits and vegetables is optional. Schools do not have to participate. In addition, the provision in H.R. 8 only allows schools to use 10 percent of the 14 cents per meal in entitlement commodities to purchase fresh fruits

and vegetables. Since approximately 20 percent of the 14 cents per meal is in the form of fruits and vegetables, this would only permit schools to use one-half of the normal amount for fresh, allowing for the receipt of additional fruits and vegetables in cans or in frozen form.

Also, it would not be my intention that schools use a fresh fruit and vegetable CLOC to replace funds they are already spending on such commodities. Rather, the goal of the provision is to increase the amount of fresh fruits and vegetables in the school lunch program. This option would also be administered through the current State commodity distribution system.

Finally, Mr. Chairman, H.R. 8 provides for a one-State CLOC demonstration to answer for once and for all the question of whether or not CLOC can effectively remove commodities from the marketplace at a rate comparable to the current commodity distribution system. For years, we have heard, over and over again, this criticism that the project is not large enough to provide the Department with the definitive information as to the effectiveness of CLOC. Yet, that same kind of resistance that goes back to the year 1492. The provision of H.R. 8 would only take effect if a State was able to obtain approval of 80 percent of local school food service authorities to undertake the demonstration project. It would be operated by the commodity distribution entity within the State and would only be in effect for the authorization period of H.R. 8.

Mr. Chairman, I understand the Department of Agriculture is opposed to any provisions dealing with the inclusion of cash/CLOC in H.R. 8. And I would be disappointed if they weren't because every one in the past has been opposed and every one in the future will be opposed.

However, one of their arguments that their purchasing power is greater may not be legitimate in some instances. I have heard from school districts in some parts of the United States that while USDA may purchase commodities at lower prices, they end up costing more once they have been processed into usable form—and often have higher fat content than commodities purchased directly from vendors.

Examples provided by the Michigan School Food Service Association included breaded chicken nuggets, which were found to be 8 grams higher in fat content when purchased through the commodity warehouse than through a vendor. And the Michigan School Food Service Association has found that breakfast egg biscuits and fruit pies cost more when purchased through the commodity warehouse than through a vendor. Breakfast egg biscuits cost 33 cents when purchased through the warehouse and 23 cents if they are purchased from a vendor. Fruit pies cost 19 cents each when purchased through a warehouse and 16 cents when purchased through a vendor.

From Pennsylvania, I received the following examples: The end cost of chicken nuggets using USDA commodities was $1.83 per pound, while the cost from a vendor was $1.68 per pound. The cost of turkey roll using USDA commodities was $1.42 per pound, while the cost from a vendor was $1.37. The cost of wafer steak using USDA commodities was $2.05 per pound, while the cost from a vendor was $1.62 per pound. And finally the cost of hamburger pat-

ties was $1.90 per pound, while the cost from a vendor was $1.40. In times when schools are closely watching their budgets, this certainly is another area which must be addressed in any commodity reform proposal, because we have to keep them in the national school lunch program. If they opt out, then, with the exception of a couple of States, you don't have to feed free and reduced priced meals, so the children get nothing at home and nothing at school.

In conclusion, Mr. Chairman—I guess I can skip this part because I was going to say there was a representative from the department of agriculture of Pennsylvania that was going to testify, probably against, but I got a call from the Governor's office saying that he was not down here testifying for the department of agriculture in Pennsylvania and they wanted to make sure that I understood that. And I understand since, maybe, they pulled him. I hope it doesn't jeopardize his job in any way, shape, or form because I had nothing to do with it whatsoever.

As I indicated earlier, I want the system to help both school children and the agricultural community. However, as you can see, there are some problems that we have to work on. And I think the CLOC amendments that we have for you are good amendments.

Let me just mention one comment from a school food service director from the State of Washington. The question must be asked that if continued improvement is made by emulating the private sector distribution system, why duplicate the efforts via the public sector? Allowing local school districts the opportunity to participate in the CLOC program allows for faster, fresher, and local purchases to be made using existing channels of providing food to our children.

In an era of increasing public scrutiny into the doings of our Federal and State bureaucracies, this type of cost reduction would be well received. And I have two people here, Mr. Chairman, that if you want any input directly from those who are involved in the programs, I would like them to stand.

If you have any questions that you would like to ask, they are responsible for some pretty large programs at the present time and are operating under the suggestions that Mr. Ford and I have made over the years.

Thank you. I am sorry I took so long.

[The prepared statement of Mr. Goodling appears at the conclusion of the hearing.]

Mr. STENHOLM. Thank you very much, Bill, for your testimony.

I have just a few questions that I would like to ask you to kind of clarify in my own mind some points.

I am never opposed to trying something new or different and when CLOC was tried in 1980 it was an experiment to see if we could do a better job of feeding kids, is the way I would put it. We have tried it. If it is working, then the natural supposition would be why not convert the entire program over to CLOC? If it is a desirable program, and it is the direction that we ought to go, why limit it to 29 or 26 schools? Why not all 15,000? That is a legitimate question I think to be asked.

And then you have to start asking some other questions, and it is my understanding that the cost of administering CLOC in these demonstration projects is a little bit higher than the commodity

distribution program. And it is also—and I want you to clarify this, because you stated in your testimony that in some cases the products end up being more expensive through USDA purchasing programs than where individuals are able to use the benefits of the CLOC or individual purchase. But it is my understanding that in the overwhelming majority of cases, USDA can buy products much cheaper and therefore it is true that in some instances it would be cheaper to do it in a manner that you have suggested and you believe. But in most instances across the board for 15,000 schools, it would not be cheaper.

For example, it seems to me in Pennsylvania, that if there was a bumper apple crop, that USDA could come in and benefit your apple producers by buying larger volumes than perhaps the school districts of the immediate area of the apple growers in Pennsylvania. I think that the record will show that that has been true. Comment on that, if you would, Bill.

Mr. GOODLING. Let me start with the first comment that you made. You have to keep in mind, and I am sure that you do, that change is painful. Change is painful for anybody. And as I indicated in my testimony, even though all of the school food service people would sit there—and Mr. Matz would be there with them to encourage them—and would complain, complain, complain, at the end, they would not want to change because they are fearful of change.

They think, well, somehow or other if you are in the appropriation business you are going to cut us off and then we don't get anything. Then all of a sudden you had few commodities to send them and they realized maybe that was not a legitimate argument.

Also, you have to understand that in the State of Pennsylvania at one time, for instance, the head of the school food service's husband was also running the commodity distribution program in Pennsylvania, and they both had a reason why they would want to continue the current system, I would think.

Cost. You have to look at the end of this whole process when you talk about cost. If you send us in cheap fruit that is already spoiled or you send it at a time that we can't use it, there is a cost attached. We used to get turkey after turkey after turkey at the end of May. Great. We didn't have any freezer to freeze this stuff. We had to find and pay for a place to freeze it and then we had to bring it out and have it processed. So you have to look at the end of that line. You can't just say, well, we can purchase it in a mass purchase in Washington. However, look at the cost to the school district to send it out to be reprocessed, to have it stored, and the waste that is involved, and the amount that is thrown away. So when you look at the end picture, I think you get a different picture.

I mentioned many different products that they were able to purchase, just a sampling. Apples in Pennsylvania, I was glad you brought that up because that has changed I admit to the better. But, as a superintendent I also had to unload these commodities that came because, of course, the truck driver was union and they were not about to unload them. I was not about to call my maintenance staff from some school district in order to unload them. And so I would unload them and nothing made me more angry than un-

loading box after box of Washington State apples at the same time we had the largest apple producing area. We are No. 1, 2, and 4 in the State of Pennsylvania in the 19th Congressional District. We can supply all the apples and all the peaches and all the cherries that anybody needs in Pennsylvania without the competition from Virginia and a few of the other States.

So, I think just look at the cost at the end, not just at the cost of what they will give you, and say, well, we can purchase it for so-and-so. Is it used? Is it usable? Must you reprocess it? Must you store it? How much is thrown away at the end of that session?

And again, let me just remind you that only 40-some percent of paying customers participate in the national school lunch program. That has to tell us something. And we don't want that to decrease. We want that to increase, because I always have to fight my side of the aisle every time this reauthorization comes because they want to cut out any reimbursement, quote, to the paying customer. Well, then you have destroyed the national school lunch program and you have no place to distribute—well, you do, you have senior citizen centers and so on.

Mr. STENHOLM. I wish I would have had a superintendent like you when I was teaching vo-ag because, every time we had commodities to unload, it became the ag teacher's responsibility, not the superintendent.

Mr. GOODLING. In my time, I couldn't afford the ag teachers. The poorly paid superintendent did it because it got unloaded at the superintendent's building.

Mr. STENHOLM. Just another observation, then I will recognize the others for questions. But to those that you mentioned are concerned about ending the appropriation, I think that is more than just a passing concern because it wasn't so long ago that we had revenue sharing and then it became apparent that we did not have revenue to share.

And I think the school lunchroom personnel and others are very perceptive in their concerns about a permanent CLOC for all 15,000 and what might happen versus a new and improved and even better commodity distribution program. I think that is a valid concern, one that can be debated on either side of it, but I think it is something that needs to be kept in the back of our minds.

Mr. GOODLING. Well, let me respond to that. I agree, and as I said in my testimony, I am not working toward 15,000 CLOC's. I am working for permanent now until we get the whole commodity distribution system set up in such a manner that there is no need and no necessity for these kind of programs.

Mr. STENHOLM. Mr. Gunderson.

Mr. GUNDERSON. Thank you, Mr. Chairman.

Mr. Goodling may have already answered this question, but on page 8 of your testimony, you say a school district in Pennsylvania received a shipment of apples which had no taste, then were discarded by the students.

Do you know if those were Pennsylvania apples?

Mr. GOODLING. No, unfortunately the apples had been shipped in. It is better than it once was. They used to all come from Washington State and places of that nature. They now do it a little clos-

er like Virginia and so on, but they, unfortunately, were not Goodling apples, and——

Mr. GUNDERSON. They weren't Wisconsin apples either?

Mr. GOODLING. They were tasteless. I will say, no, they weren't Wisconsin apples, just to kind of secure your support.

Mr. GUNDERSON. We grow apples in my district, sir. We also produce cheese.

Mr. GOODLING. You also produce a lot of milk.

Mr. GUNDERSON. The serious question I have is that you have two provisions, you have two major provisions in CLOC. One of those is the permanent extension of the CLOC sites as they exist today and the other is the statewide pilot project. I hear some people suggest that the compromise is that we agree to the permanent extension of the sites but that we do not do a statewide demonstration.

How would you respond to that proposal?

Mr. GOODLING. One of the major reasons for the statewide demonstration was to get beyond this argument that we always hear from the people who oppose it that we don't really have enough involved to really tell how well it works or doesn't work, and I thought this is one way during this 5-year period or whatever the reauthorization is to find out whether it can work on a statewide basis.

Mr. GUNDERSON. Do you think a State like Pennsylvania would attempt that?

Mr. GOODLING. I would imagine that there are probably 80 percent in the State of Pennsylvania that would want to move in that direction.

Mr. GUNDERSON. Thank you.

Thank you, Mr. Chairman.

Mr. GOODLING. But I didn't put it in there to be self-serving.

Mr. GUNDERSON. Do you believe that there is at least one State or more that would like to do a pilot project in this area?

Mr. GOODLING. I do believe, and I don't believe Marshall could convince them not to do it.

Mr. GUNDERSON. He is on your right, second row back.

Mr. GOODLING. But he gets paid well, he can take it.

Mr. STENHOLM. Mr. Farr.

Mr. FARR. Thank you, Mr. Chairman.

I came in a little bit late and didn't hear all of the testimony, but one of the things that I was very interested in is whether any analysis has been done. Do we have any report on the cost of this program? If we are going to consider cutbacks or elimination of increases, do we really know what the lunch program is costing?

We are appropriating a total of $5 billion in this arena—not the lunch program, but the CLOC program, and I am not sure, I have never seen any figures on what the percentage of the total amount we are talking about is.

Mr. GOODLING. To do the CLOC and the cash?

Mr. FARR. Yes.

Mr. GOODLING. You are going to hear from the Department that it is more costly to do CLOC than it is to do their normal program. What I pointed out to the chairman is what you have to consider is the end product. Is it more costly if you consider the waste? Is

it more costly if you consider the reprocessing? Is it more costly if you consider the storage expense to the local district and to the State?

You have to take all that into consideration or you really don't have a good answer to your question. But I think the testimony you will hear will be based simply on apples and oranges rather than the end product.

Mr. FARR. I have been very supportive of the local school districts. I think what we are beginning to see, it has taken a long time, but if you look at what we are trying to do in welfare reform, in crime reform, we are looking at the totality of the family and the community and trying to instead of just serve those as traditional categories where if you fit into a category, you qualify, trying to bring some real holistic approach to the environment which creates these needs—nutrition, health care, safety in the community and so on.

I think that the more flexible tools that you allow a local community to have, as long as they are communicating with other Federal entities, that we will really get to the heart of this solution rather than just trying to resolve the problem from a standpoint that we have excess commodities here that we have to distribute somehow.

So I am very supportive of the ability for this local, sort of local control. It allows, I think, a greater flexibility and I think, in the long run, that flexibility is going to enhance problem solving.

Mr. GOODLING. That is, I think CLOC does both. It gives the Department the right to determine what it is and they do it locally, and I think that is what makes it a good program.

Mr. FARR. I agree.

Mr. STENHOLM. We have 4 minutes to go vote, Mr. Goodling and Mr. Farr. So Bill, thank you very much. We appreciate your interest and dedication to this issue.

Mr. GOODLING. Thank you for the indulgence.

Mr. STENHOLM. We look forward to working with you.

Mr. GOODLING. I think you understand I feel very strongly about this issue.

Mr. STENHOLM. I sort of gathered that, Bill.

We call the next witness, the Honorable Ellen Haas, Assistant Secretary for Food and Consumer Services.

STATEMENT OF ELLEN HAAS, ASSISTANT SECRETARY, FOOD AND CONSUMER SERVICES, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY KENNETH C. CLAYTON, ACTING DEPUTY ASSISTANT SECRETARY, MARKETING AND INSPECTION SERVICE; GEORGE A. BRALEY, ASSOCIATE ADMINISTRATOR, FOOD AND NUTRITION SERVICE; AND VICKI J. HICKS, ASSISTANT DEPUTY ADMINISTRATOR, COMMODITY OPERATIONS, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Ms. HAAS. Thank you very much, Mr. Chairman. If I can, I would like to summarize my statement and include it in the record.

Mr. SARPALIUS [assuming chair]. Without objection.

Ms. HAAS. We are delighted to be here today to discuss USDA's vision for the future of the Nation's school meal programs and how

the commodity programs play an important role in advancing our goals for healthy school meals.

Just yesterday, the Department announced a comprehensive, integrated four-point framework for action to fundamentally update and continuously improve our school meals. Central to this initiative is maintaining the integrity of the commodity program, while making needed improvements. Our school meals initiative has one simple goal: Healthy children.

President Harry Truman established the national school lunch program back in 1946 in response to young men who wanted to be soldiers during World War II, but were not able to get in because they suffered from malnutrition. The program was defined then as "a measure of national security, to safeguard the health and well-being of the Nation's children and to encourage the domestic consumption of nutritious agricultural commodities." The mandate has not changed, but the science of nutrition has. Our programs have absolutely not kept up.

With our school meals initiative for healthy children, we are updating the nutrition standards in our school meals program to meet health objectives. Our four-point program includes proposed regulatory changes and departmental actions which Secretary Espy announced yesterday.

The first ingredient in our recipe for change is eating for health. The nutrition standards will be updated to include the dietary guidelines for Americans by the year 1998. However, it is important to note that schools will be able, once we have a final rule, to make those updates of nutrition standards to meet the dietary guidelines, and we expect the majority of the schools will do that.

The second ingredient is: Making food choices. We will introduce new ways to appeal to children's taste and promote their health. If the food doesn't taste good, if it doesn't look good, kids aren't going to eat it. And it is not going to do them any good. So we need to embark on a major nutrition education initiative as well as training and technical assistance.

Our third ingredient is: Maximizing resources. That means we need to marshal our available resources and strengthen partnerships with State and local cooperators. This is the example we will use—the bounty of American agriculture—and we will improve the nutritional profile of commodities, working together with our partners in AMS and ASCS.

The fourth component is: Managing for the future. We will reduce paperwork burdens by using technology, streamlining administrative procedures, and emphasizing flexibility.

Hearing Congressman Farr a moment ago talking about integrated holistic approaches, that is exactly the kind of approach that we are taking in this initiative. We are using all of the components to get to our goal of healthy children.

In the national school lunch program, federally donated commodities represent about 20 percent of the foods that are purchased. Every day in every school we serve across the country we are providing commodities when we serve 25 million students in more than 92,000 schools. That is a cooperative effort between the producer, USDA, and school food authorities.

As we change our school meals to promote the health of children, the integrity and continued improvement of our commodity programs is central to achieving our goals. The Department, therefore, feels that the reauthorization or expansion of CLOC and the demonstration projects that have been ongoing is unnecessary at this time, not just because it costs less to maintain the commodity program, but most importantly because we are improving the commodity program in order for it to meet the health needs of children while supporting agriculture.

Through our school meals initiative for healthy children, we have taken important steps to improve the commodities. I would like to share those with you. Working together with the agencies that I have talked about—the Agricultural Marketing Service and the Agricultural Stabilization and Conservation Service—who are joining me here today, we have recently formed a commodity improvement council.

The council will promote the health of schoolchildren by improving the nutritional profile of USDA commodity offerings, while maintaining the Department's mandated support of domestic agricultural commodities and producers. The council will also enhance coordination among the three agencies within USDA responsible for obtaining and using these commodities. We are committed to a systematic, comprehensive review of current commodity product specifications.

This is a time of continuous improvement, and it is important that we meet our dual objectives. Also, by encouraging regional and seasonal purchases, we will promote local agricultural production and forge new links with local farmers.

And I am especially pleased to say that, as part of our new healthy meals initiative, we will be providing nutrition labeling on our commodities and institutional packages that go to schools. This information will provide needed tools for food service personnel as they plan more healthful menus.

Beyond those specifics proposed in our School Meals Initiative for Healthy Children, the Department has already taken a whole series of steps to improve the nutritional profile. For example, bulk ground beef is currently available with an average fat content of 19 percent. That is compared with the commercially available product which averages about 30 percent fat. Ground beef patties with a fat content of 10 percent are also being offered to schools.

As this committee knows, Mr. Chairman, last year the Department doubled the amount of fresh fruits and vegetables offered to schools along with increasing the variety available. Let me say that the children are loving that.

Just today, I joined Secretary Shalala and Secretary Riley at a school here in Washington, DC, and when you ask the kids what their favorite food is after pizza, they will name you every fruit and vegetable that they want on the menu. And, there is a lot of enthusiasm for the changes that we are making.

Currently, the Department is testing low-fat mozzarella cheese with a 7 and 10 percent fat content as compared with a 20 and 25 percent fat in regular mozzarella. That is going to make a big difference in the pizzas that we are serving so that they are healthy pizzas with the lower fat cheese. Reduced fat salad dressing is an-

other example of how we are testing new ways of reducing the fat in our commodities, and preliminary results are being analyzed.

Using the Department's purchasing power, we believe that we can encourage the market to develop new products that will provide healthier food to schools. New products can be available sooner, and potentially at lower cost to consumers because of the Department's buying power.

In the letter that the chairman sent to the Department, it was requested that we explain our views on the commodity letter of credit provisions of H.R. 8. These provisions extend and greatly expand the program.

Because of the many improvements that we have made and are continuing to make in the commodities program and the commodities that are made available to schools, there is no reason to extend the CLOC program. Indeed, it is important that we preserve the integrity of these commodity programs. I think it is important, too, to recognize that it is because of this continuous improvement of the commodities program that it is central to why we are opposing the CLOC expansion.

The CLOC pilot program began in response to complaints in the 1970's that the commodity system was not keeping pace with the needs of the school lunch program. CLOC funds were diverted from the funds available under section 32.

One of the primary goals of the 1949 act and section 32 commodity programs is to support the price of agricultural commodities by means of price support operations and removal of surplus commodities. The positive market effect of these commodity programs is most important to retain. The original CLOC evaluation demonstrated that the food value of the commodities offered by the Department was worth 2 to 3 cents more per meal than the food purchased locally with CLOC funds, in part because schools purchased more highly processed items with their CLOC vouchers.

Also very important to the Department is the domestic origin of food purchases, a central guiding principle of these commodity purchase programs. When USDA supports the price of U.S. agricultural commodities under its price support and surplus removal operations, it acquires commodities directly from American producers and processors and can ensure that the end product is a domestic agricultural product. Both GAO and USDA found there is no assurance in the CLOC program.

We have run the CLOC pilot projects for nearly 14 years in 25 of the nearly 20,000 school districts in the United States. During that time, we have conducted two evaluations of the system, and the pilot programs have been extended six times through legislative action. The Department has spent in excess of $8 million to administer and evaluate the projects in that time.

H.R. 8, which was recently reported by the House Committee on Education and Labor, provides for permanent reauthorization of the CLOC pilot/demonstration projects. We see no additional information being gained from the current pilot systems, and believe that extending them will continue the administrative costs borne by USDA to administer the projects without any additional benefits to our agricultural producers.

Second, H.R. 8, as reported, would add a statewide demonstration project in a State where at least 80 percent of the school food authorities agree to participate. A statewide demonstration has not been attempted previously, but implications for State administration have been addressed in previous studies.

It is unlikely that a one-State study would be effective at yielding results that could be extrapolated for nationwide policy recommendations. In addition, start-up and implementation costs would be considerable, and funding for these costs are not specifically authorized by the bill.

Finally, H.R. 8 allows all schools to use CLOC for 10 percent of their entitlement commodities for the purchase of fresh produce. This provision would allow for a nationwide optional CLOC system that would be a substantial disruption to the current administration of the commodity programs, and it is not clear that the provision would accomplish its goal.

The amount of funds proposed to be set aside for new CLOC's amounts to about 2 percent of total food acquisitions. The most recent data on this topic indicates that fresh produce acquisitions amount to about 4 percent of all food served. If school food authorities are given such a letter of credit at the beginning of the school year to purchase any fresh fruit or vegetables, the letters of credit would likely displace local funds used to purchase fresh foods rather than increasing fresh offerings.

The paperwork to administer such a system would be substantial. At the same time, a nationwide optional CLOC system would produce substantial disruption and administrative complications and paperwork. Dual systems of administration would be needed, but it would not be possible to determine with any certainty how much food the Department should buy, and how much would be purchased through CLOC.

In conclusion, I believe that, through all our efforts, the Department is better suited than school systems to align the twin objectives of promoting nutrition and market stabilization.

Finally, let me say that we now face a historic challenge to improve our school meals program. The Department under Secretary Espy's leadership is responding to that challenge with our School Meals Initiative for Healthy Children. As we make these changes, we must also take our commodity programs into the next century. By preserving the viability of our commodity programs, we have the opportunity to promote the health of children and simultaneously benefit the American farmer. We are committed to doing both.

I thank you very much, and would be happy to take your questions.

[The prepared statement of Ms. Haas appears at the conclusion of the hearing.]

Mr. STENHOLM [resuming chair]. Thank you very much.

Ellen, you have talked already to the additional cost to the taxpayer regarding a CLOC and a CLOC option, et cetera. I want to direct my questions to what the criticisms are.

You heard Mr. Goodling talking about the fresh fruits arriving in an inedible fashion. When we hear the other testimony before this subcommittee, we will hear complaints that USDA-provided

cheese often stubbornly resists melting. It must be Wisconsin cheese. Members in Portland, Oregon, refuse USDA pasta outright because it is not of sufficient quality to be cooked and chilled. USDA often sends commodities which are inappropriate for schoolchildren.

In addition to the poor quality of many USDA commodities, some items are more expensive than similar items available locally. I know you are interested in increasing the amounts of fruits and vegetables in our diets, as we are. We keep hearing about the complaints about it.

My question here is: Any suggestions as to how we can do a better job?

Ms. HAAS. Well, you are right, Mr. Chairman, we do share the objective of healthier children through meeting the dietary guidelines, and by that, it means that we need to have kids eating more fresh fruits and vegetables. One of the mechanisms that we think is going to be very useful within the Department is to get the three agencies together to really deal with the commodity program and how we can improve it.

There have been isolated criticisms, and I think we have acted on a lot of those criticisms in the past and are continuing to about the problems. We intend to stay on top of that because, if we keep the commodity program as a viable part of the changes that we are making, then we want to make sure that the product we are providing to the schools is of the utmost quality, and I think that the changes that we are making in lowering the fat in cheeses and other dairy products and beef products and encouraging more fresh fruits and vegetables all go toward that end.

Mr. STENHOLM. I am going to insert a statement in the record from the National Cattlemen's Association highly supportive of the commodity distribution program and pointing out at this point in time, with low beef prices, this is an excellent time for USDA to be buying larger volumes of beef. This would be supportive of the cattle industry while at the same time providing the beef for the remainder of the school year or portions thereof.

Through the commodity program, you can buy this when it is cheap which benefits all of the parties. We hear a lot of support for this program for that reason. But none of us want to provide commodities that are inedible. That doesn't make sense. I have shared this with you and I will share it for the record.

[The prepared statement of Ms. Johnson appears at the conclusion of the hearing.]

Mr. STENHOLM. My local school superintendent here several years ago came to me and said, "We really appreciate the commodity program, we really appreciate the vegetable oils that you have been sending us, but you sent us so much, the only thing we could do with it was coat our parking lot."

Well, these are the kind of horror stories that we have heard in the past, but we are doing a better job today, no question about that, and we must do an even better job.

Ms. HAAS. One of the problems, Congressman Stenholm, has been how many of the school food service personnel could be helped to learn how to use commodities in ways that taste good and ap-

peal to children. For that reason, central to our whole initiative is nutrition education training and technical assistance.

We have encouraged farmers and chefs and others to come into the program so that we can find creative ways and creative recipes to use commodities in a way that children enjoy and their parents approve what they are eating. I think that this is all central to the changing vision we have for this program. I think we are trying to give it much more vitality and bringing it into the 21st century.

Mr. STENHOLM. No other questions at this time.

Mr. Gunderson.

Mr. GUNDERSON. Madam Secretary, I want a clarification. Did you call these people who make school lunches chefs?

Ms. HAAS. No, I did not. I said we are assisting food service personnel and providing training in how to use commodities.

Mr. GUNDERSON. You said bringing in the chefs.

Ms. HAAS. Bringing in chefs to help them. What we are doing, Congressman Gunderson, is trying to have a training program so that we can help schools provide healthier menus and food that tastes good and looks good. We are bringing in chefs to help in that undertaking.

Mr. GUNDERSON. The reason I brought that up is my ongoing argument that we are so concerned about what goes into these school lunches that we forget the fact that 55 percent of our students today don't participate in the school lunch program, and I don't hear anybody ever complaining about that fact.

That bothers me greatly because, until we get meals that kids like to eat, it doesn't matter how good, quote, unquote, the meal is healthwise, if they decide to consume a doughnut and a can of Coke instead.

Ms. HAAS. I couldn't agree with you more.

Mr. GUNDERSON. But we need some help on that because you should make that point No. 1 of your four points.

Ms. HAAS. Well, it is No. 2. If food doesn't taste good and look good, kids aren't going to eat it. So taste is an important component of our whole initiative as well as nutrition education which really is combining all of these messages to kids in a way that they understand.

Mr. GUNDERSON. What if we had a dual agenda, one which was, quote, unquote, to improve the health status of the school lunch but, second, to increase participation by 5 percent a year?

Ms. HAAS. That is the goal.

Mr. GUNDERSON. I have never seen it anywhere.

Ms. HAAS. Well, you are hearing it from me today.

Mr. GUNDERSON. Good. I have another question.

About 2 weeks ago, I wrote the Secretary. As you know, we have experienced in the last 2 months the third largest drop in milk prices in history, and one of the steps we were able to take under then-Secretary Madigan when this occurred in 1980 was that the Department of Agriculture agreed to make advance purchases of the dairy commodities for the upcoming school year. It would be extremely helpful to the dairy industry if we could get a similar commitment and action from this administration.

Do you have any idea what the status of that request is?

Ms. HAAS. It is under review, and certainly we understand the situation both in dairy prices and beef prices, and we are looking at those purchases very closely.

Mr. GUNDERSON. When do you think we can anticipate a response?

Ms. HAAS. We will try and be as prompt as we possibly can.

Mr. GUNDERSON. Like tomorrow? Next week?

Ms. HAAS. It is under review and certainly we understand the sensitivity of timing.

Mr. GUNDERSON. I would encourage you strongly, as soon as possible, to get us some help on that, very frankly.

Ms. HAAS. Sure.

Mr. GUNDERSON. Let me focus on the dietary guidelines that are announced. The first question in reference to the dietary guidelines is whether or not USDA will eliminate the meal pattern that requires schools to offer children a serving of meat, two servings of fruits or vegetables and one serving of bread and milk.

Ms. HAAS. As parts of our initiative in the proposed regulations that will be published in the Federal Register tomorrow, we are replacing the current meal pattern which has been very rigid and very restrictive and had problems for certain foods like yogurt which didn't fit anywhere in the meal pattern, replacing that with a new menu system and an assisted menu system that would give us the kind of flexibility for schools to meet the dietary guidelines. It is easy to use, it is easy to understand, and it is something that is going to help all of us make the changes that we need for healthier children.

Mr. GUNDERSON. Have you any analysis at this point in time of what the impact of the new meal plan or dietary guidelines will be on various commodities such as meat, such as cheese, et cetera?

Ms. HAAS. As a part of the overall commercial market, the school lunch program represents an infinitesimal part. It is not to say it is not important. It is about 1 or 2 percent for both dairy and beef products of the overall commercial market. That in itself is important.

If we were to make the changes to meet the dietary guidelines, you have to recognize that the schools would then have the flexibility. We are not going to mandate what kind of meal they have in that school on a given day, so the schools have great variety.

When you were voting, I mentioned the example of pizza. You could serve pizza with cheese on one day that is quite high in fat and another day you might have skim mozzarella cheese, and that would meet the dietary guidelines. You would still be using cheese and you would still be meeting the dietary guidelines.

So the price differential there in any kind of economic impact would have a range. It could be zero, and this was in our impact statement that was done for the proposed rule. It could be anywhere from zero to about 7 cents per hundredweight for dairy.

Mr. GUNDERSON. We could have a 70 cent per hundredweight?

Ms. HAAS. Seven.

Mr. GUNDERSON. A 7 cent per hundredweight decrease?

Ms. HAAS. It could if it was very extreme. The point is most likely the market has already responded because the market is provid-

ing low fat products, so there should be minimal if any kind of price impact.

Mr. GUNDERSON. Will we be required or will it be necessary for us to get a CBO cost estimate of what the impact of these regulations would be? Here is why I ask the question because, as you recall, over in Education and Labor when we were discussing the food-milk components, the reasons that the advocates could not have an overall elimination of whole milk is it would have cost the program $100 million and they couldn't come up with $100 million to pay for that.

If we were to provide CBO with your new dietary guidelines or the regulations tomorrow and they were to look at that, what is your estimate of what they would project would be the cost of the school lunch program on, say, the meat, cheese, dairy products, et cetera?

Ms. HAAS. The important thing is that there is such a range because, as we were talking earlier when you were talking about taste, preparation is also very important. If you are reducing fat, if you move away from deep fat frying and you move to roasting, you are cutting a lot of the fat, so there is no displacement.

The regulations currently don't require a regulatory change, don't require a CBO analysis, but the careful analysis that we did as the impact statement behind it showed that there would be very minimal impact at all on price or displacement.

Mr. GUNDERSON. I understand you don't have to get a CBO analysis to move regulation.

Ms. HAAS. Right.

Mr. GUNDERSON. I am asking the question, if we take those regulations and ask CBO to recalculate the baseline accordingly, what is the impact of those regulations on the overall cost of the school lunch program?

Ms. HAAS. That was also done in the analysis of the prepared rule, and there was no cost increase in the school lunch program.

Mr. BRALEY. Mr. Gunderson, we compared the meals that are currently served, typical school lunches that are served now and made minimal modifications to those menus to make them meet the dietary guidelines and to see what the impact would be on food costs.

The analysis we did indicated that menus which would look very similar to ones today could be served in the future to meet the dietary guidelines and not increase the cost, the food cost to local food service operators. The other thing we didn't do is an in-depth analysis beyond food costs, but the labor costs and other costs didn't appear to be shifted by this change either. So we were comfortable that the new menus can be served within the current reimbursement scheme.

Mr. GUNDERSON. I don't know that we are communicating here. In the sense that the reality of eliminating the whole milk was not that you increased the cost of school lunch, for example. The reality of eliminating the whole milk provision would have been that the cost of the dairy program would have gone up $100 million, and under the PAYGO requirements of the budget, we then would have had to come up with the money elsewhere to pay for that. That is my question.

Under your new dietary guidelines, is there a projected impact on other commodity programs that we are going to have to come up with the money for?

Ms. HAAS. No. Also, I would like to go back to the point because you and I have had this discussion before about the whole milk requirement that really, in going to a new menu system, in taking a nutrient approach, we are getting away from the good food/bad food approach that has been in the past. We are also going to a variety of foods so that you are not singling out any food as having any kind of inherent problems.

So I think that this move is consistent with the approach that you have also talked about in the past and one where we could reach the dual objectives without any increased financial exposure to any of the affected interests.

Mr. GUNDERSON. I think of my home school district, a smalltown farm district where, frankly, I have to tell you, those farm boys drink a lot of whole milk. Let's assume that that school lunch program has a regular amount of calories from fat that meet your guidelines but every young boy in high school who goes through takes two cartons of whole milk.

Now, are they in violation of your new guidelines?

Ms. HAAS. No. If that is a school district in Wisconsin, in northwest Wisconsin, that milk is important and whole milk is very popular. They probably have the ability, then, to adjust that menu to reduce the fat in other places, so in other words—or add the fiber in other places.

They would not be in violation because the bottom——

Mr. GUNDERSON. What if the dietician creates an overall menu in the attempt to meet your guidelines on the assumption that the average student will, say, have 1 percent chocolate milk, yet in the process of actually eating that school lunch, most of the guys on the high school football team go and take two or three cartons of whole milk.

Now, the dietician at the school, the cooks had nothing to do with that, they developed a menu that met your guidelines. However, in reality, all of those kids had obviously a much higher fat content in milk. Is that school in violation? Would they have to make other adjustments in their school lunch in order to comply with normal habitual use of whole milk?

Ms. HAAS. Well, the bottom line is what counts. It is the average of milk that is actually consumed, so what we are looking at in compliance of this program are the production records, the records of food that is used, and the actual consumption. It is done over 1 week. It is not just done over a day, so it is compliance of dietary guidelines over 1 week as well.

So your example is difficult because it is out of context of what else is being eaten by those children in that school, and what is so important is the bottom line. The responsibility of the school would be to have food over 1 week that meets 30 percent of calories from fat, 10 percent from saturated fat, and you take the average of the food that is actually consumed by children.

Mr. GUNDERSON. Let me look at the regulation, because I think we have an intent that I think is acceptable. We may have an impact that you find unacceptable that may be an impact created to-

tally by the choice of the student. I have to tell you, if this turns more kids off to school lunch, then we have a problem.

Ms. HAAS. No, I think the opposite is what is going to happen. Two things: One, I would be happy to sit down with you—we have a 90-day comment period—and come in and work it all the way through because the intent is the same. That is why we have this long comment period, but I would be happy to do that with you.

I don't think that you get into that position. I see the changes that we are making as an opportunity of expanding the market, of expanding participation because having such a small percentage of children today participating shows that the program needed to be improved, and that is what we are doing. And part of the reason is we need to improve the health of the program and the taste, and all of those things so that kids enjoy it.

Mr. GUNDERSON. One final question. I have used way beyond the time. Would you seek to have the CLOC provisions in H.R. 8 removed in the Senate?

Ms. HAAS. Whether we are seeking it is a difficult word, Congressman Gunderson. We have a position today where we are opposed, and I see no reason for that position to change.

Mr. GUNDERSON. I was just trying to detect the temperature of that opposition because I am one of the few Members who are on both Education and Labor and Ag. I am trying to save my life in both committees.

Ms. HAAS. I didn't help you very much, did I?

Mr. GUNDERSON. No. Thank you.

Mr. SARPALIUS [assuming chair]. Ellen, let me ask a couple of questions. We have had several discussions about new technologies that are available and also places that are located across country. I have invited you to one in my district where they can freeze dry fresh food and have the ability to store fresh vegetables for long periods of time in processing and in large packages that are available for large meals for schools.

Ms. HAAS. Right.

Mr. SARPALIUS. Can you bring me up to date on where we are on that.

Ms. HAAS. I wish I could do that better, and I do want to come down to visit the food bank and the different experiences that we talked about. I am not aware of what kind of improvements on the technology that we have made in this program, so I would like to get back to you about that, if I may.

Mr. SARPALIUS. I really see this as a great opportunity to provide good nutritional meals, not only to school districts, and the technology is there and the capability is there. For an example, in this one particular facility that can provide enough meals they claim for about 70 percent of the people that are on food stamps, and instead of providing stamps, providing balanced meals.

Ms. HAAS. I think that there have been tremendous advances in food technology that really should help us, and part of the principles in our healthy meals initiative is to use that technology to make it work for the program. So I would like to explore further and come visit maybe sometime this summer.

Mr. SARPALIUS. We would love to have you. I think you will really be impressed, and I can really see an opportunity there for school districts.

Another question. What is being done to, I guess you could say, remove candy machines and things like that in schools to encourage kids to eat their lunches before they eat a candy bar?

Ms. HAAS. Right. That issue is one that has a history to it. Back in the late seventies, the Department of Agriculture tried to prohibit the use of vending machines in schools. The Department was sued and lost. The decision said that the Department did not have the authority except during the lunch hour and in the cafeteria.

As you know or probably know, in the Senate bill on Child Nutrition Reauthorization, there are provisions that basically clarify that existing authority, and Senator Leahy has been very outspoken about the problems that are incurred because of those vending machines.

I do believe, though, with the changes that we are making and the emphasis on taste and the healthy meals that will be available in school, that there is going to be a whole lot less interest in those vending machines.

Mr. SARPALIUS. That was the next question I was going to ask. Your second goal in here is to—it says we will introduce new ways to appeal to children's taste. How do you appeal to children's taste from a meal versus a candy bar?

Ms. HAAS. You can create a motivational approach. For example, we are going to undertake a nutrition education campaign where kids working in their classrooms learn about the relationship of diet and health and how foods taste. Some schools are even having tasting clubs now.

I have visited schools and talked with kids and asked them about fresh fruits and vegetables. Carrot sticks and celery sticks are all fun things for the little ones to eat. I think what you need to do is to have that kind of nutrition education effort that uses media—doesn't just do it through a paper brochure and teachers preaching to kids—but it makes it fun. We are also trying to provide food to children in a way that really looks appealing as well.

And that is why we are doing the training and technical assistance to help us get there. It is a hard job to do, but we are rolling up our sleeves and doing it.

Mr. SARPALIUS. At one time, you and I had a discussion where you said that you were looking at some type of incentives to encourage schools to have their own school gardens to teach kids either growing their own tomatoes or lettuce or whatever, carrots to try to, one, teach them the value of agriculture and also having fresh food for the school.

Where are you at on that?

Ms. HAAS. Well, we are progressing slowly. Now that we have the initiative announced, we are going to be expanding our efforts in that area. I was in a school in the inner city of Chicago in Cabrini-Green, and the principal did have a little garden where the children were learning how food grows.

Many of those kids had really never been out to see a farm, never knew about where food came from. That is the way, starting from the seed, that children can learn about food, learn about its

relationship to their health. I believe it really helps their self-esteem as well. So that is the kind of initiatives that we are going to be undertaking with our nutrition education effort.

Thank you.

Mr. STENHOLM [resuming chair]. A couple of final questions. In your testimony you stated that commodities donated to schools represent almost 20 percent of all of the food purchased by schools, yet Congressional Research Service has determined of the total school lunch support, commodities have fallen from 19.3 percent in 1980 to 12.2 percent in 1993. Cash support has increased by 74 percent, commodities by 0.1 percent.

Can you explain the discrepancies between your 20 percent and the CRS's 12.2 percent?

Ms. HAAS. Everything that I have seen indicates somewhere between 17 and 20 percent. So I don't know where CRS got its numbers, but I would be happy to go back and check and find out why that inconsistency.

Mr. STENHOLM. I would like very much for you to do that. We will give you the CRS numbers and we would like for the two of you to resolve your differences.

Ms. HAAS. Sure, be happy to do that.

[The information follows:]

Response to Mr. Stenholm's question on discrepancies between CRS's and USDA's figures for the percent of food purchased by schools which Federal commodities donations represent:

CRS's 12.2 percent figure is the ratio of the dollar value of commodities donated to schools compared to the total Federal cash payments to schools through the National School Lunch and School Breakfast Programs.

The figure of 20 percent that USDA has been using describes a different relationship; it represents the proportion of total school food acquisitions that is supplied to schools by USDA in the form of entitlement or bonus commodities. The two figures are not comparable because the USDA analysis only considers food costs. Not all cash payments are used for local school food purchases. It is important to note that USDA cash subsidies are not intended solely to offset food costs but also other costs associated with preparing meals: labor, supplies and overhead, etc.

Mr. STENHOLM. I know I don't need to urge you to improve the nutritional value of the school lunches.

Ms. HAAS. You are right.

Mr. STENHOLM. But I do want to urge you to spend some time on looking on how to improve the distribution of the commodities because, if we overemphasize the nutritional side and underemphasize the things that are important to producers and to the preparers of our school lunches, we are going to miss the big target.

And I know you know that, but we have to improve the aspects of the commodity distribution program or we are going to lose it, and I sincerely urge the folks that believe that CLOC and cash distribution are the best way to go to look at the whole picture, not just the short-term picture which you have in your testimony indicated support for that, and we have heard others—we will hear from others today that will be doing the same thing.

I put the letter of the National Cattlemen into the record. Steve mentioned the dairy side of it. There are golden opportunities to utilize taxpayer moneys to buy foods for all people cheaper at different times, and that is what the commodity program is all about. It is a way for a win-win.

And many times in the past, we have seen that we wait too long for some reasons, and I hope that you will spend some time in the next few days looking at purchasing, using the best judgments of your department on when to purchase and how much and looking ahead just as Mr. Gunderson mentioned to you on the dairy and I mentioned to you in the area of beef.

There are some golden buy opportunities if you are buying. That is what the commodity program is all about.

We also, and I submit for the record immediately prior to the National Cattlemen's Association, the testimony of the American Association of Classified School Employees who have several questions about the commodity program. I mentioned just a few of the questions, but I would like for you to respond in writing for the record and to the subcommittee to the valid questions that they ask concerning the manner in which the foods are distributed.

They have some very valid concerns and I know we both agree that there can be some improvements and I know you are working on it, but perhaps there are some areas that we have missed thus far, so we will submit those to you so that you might respond to these people—at least one-third of this group are associated with school food services. These are the people that I particularly want to listen to when it comes time for school lunches and lunchroom and commodities and nutrition programs, et cetera.

So with that, I have no further questions for you today. We appreciate your testimony and appreciate the cooperative way in which we have been able to work together. Look forward to it in the future.

Ms. HAAS. Thank you very much.

[The information follows:]

JUN 27 1994

Honorable Charles Stenholm
Chairman
House Agriculture Subcommittee
on Department Operations and Nutrition
U.S. House of Representatives
1211 Longworth House Office Building
Washington, D.C. 20515-4317

Dear Mr. Chairman:

Per your request, the Department is submitting the enclosed response to various issues raised by the American Association of Classified School Employees concerning the National School Lunch commodity distribution program. The Association presented these issues in written testimony submitted to your subcommittee during the June 9, 1994, hearing on cash and commodity letter of credit alternatives to the commodity program. A copy of the testimony is included with our response for reference.

For your information, the Administrator of the Food and Nutrition Service, Mr. William Ludwig, recently met with the leadership of the Association and reviewed many of the same concerns outlined in their testimony. At that meeting, as well as in their testimony, the Association noted that its membership generally supports the commodity program. Their concerns related to efforts to distribute fresh produce through the commodity program, and, to a lesser extent, the logistics of the actual delivery of products to schools.

We would point out that many of the Association's concerns are the result of generally isolated events and are not, by and large, indicative of the commodity program as a whole. Any enterprise, public or private, that purchases and distributes more than $700 million worth of product to more than 92,000 schools nationwide and processes thousands of delivery orders annually will inevitably experience occasional problems. We continue to learn from these incidents, though, and are committed to total customer satisfaction. We continue to improve our program in response to concerns like those raised by the Association, and are aggressively exploring ways to reduce even further the number of problems schools occasionally encounter.

The Department firmly believes that our commodity program provides exceptional value to schools at a time when schools everywhere are experiencing significant budgetary pressures. We are also proud of the strong link the commodity program forges between the American farmer and important school nutrition programs.

If you have any questions about our response to the Association's specific concerns, please do not hesitate to contact me at your earliest convenience.

Sincerely,

Ellen Haas

Ellen Haas
Assistant Secretary for
Food and Consumer Services

Enclosures

cc: Eugene Moos, Under Secretary
Patricia Jensen, Acting Asst. Secretary
Bill Ludwig

USDA:FNS:SNP:RON VOGEL:kjj:305-2054:6/16/94
DOC: J:STENHOLM.RV

The following is a response prepared by the Food and Nutrition Service (FNS) to the Testimony of the American Association of Classified School Employees Before the House Agriculture Subcommittee on Department Operations and Nutrition, June 9, 1994.

USDA Allotments Are Often of Questionable Quality

- **A School food service professional from Cuter-Orosi Unified, California, reports that a USDA shipment of green beans arrived damaged and contained maggots.**

  USDA did not receive a complaint from the Cuter-Orosi Unified School District alleging that maggots were found in green beans. However, USDA was recently informed by another school district in California that maggots were found in several damaged cases of green beans. FNS was not advised of this situation until several months after the incident allegedly happened. This claim was investigated by FNS and the Agricultural Marketing Service and the allegation concerning maggots was not substantiated. The green beans were replaced. It is very rare, if not unusual, for USDA to receive complaints of this nature. Continuous modifications and improvements are made in the complaint system to help ensure that all complaints are provided to USDA in a timely manner.

- **USDA-provided cheese often stubbornly resists melting. Occasionally, the cheddar cheese is pink.**

  In School Year (SY) 1994, USDA received several complaints on the meltability of process cheese. USDA quickly investigated the problem and learned that the problem occurred because the vendors had not met the meltability requirements required in this product's specifications. As a result, the vendors replaced the process cheese. In SY 1994, USDA received two complaints on the meltability of cheddar cheese. USDA advised the recipients that cheddar cheese generally melts rather poorly and is used in cooking for flavor and process cheese should be ordered when cheese is needed for cooking that requires cheese to melt easily. We have not received any complaints on cheddar cheese being pink. In SY 1994, USDA distributed over 53.9 million pounds of process, cheddar and mozzarella cheeses to schools at a value of over $70.6 million and only 11 complaints were received on these three products from schools.

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- **Members in Portland, Oregon, refuse USDA pasta outright because it is not of sufficient quality to be cooked and chilled. Another member in California reports that their spaghetti dissolves into mush when boiled.**

  Several years ago, problems were reported with the texture of the spaghetti after cooking. The problem was found to be that durum flour was used in some of the products. Specifications were changed to require the use of semolina flour. Since this time the number of complaints USDA has received on spaghetti and other pasta products have been very few. Problems reported on texture have been found to be the result of over cooking.

- **Poorly processed produce causes difficulties. Tibard, Oregon, received 75 cases of tomatoes not sorted by ripeness. In addition, no information was provided to properly ripen these tomatoes. About 15% of the order, which was huge to begin with, eventually spoiled. A district in California received blueberries which still had stems, causing a scramble to clean the fruit so that it could be used in muffins.**

- **Several members reported that overripe fruit arrives which, while actually fine inside, appears so shrivelled that children will not eat the produce.**

  Offering perishable product is a challenge whether it is purchased by USDA or in the commercial market, and problems do occur. However, States in consultation with schools make the decision on quantities to order. USDA disseminates information, such as fact sheets and specifications to schools via States. This guidance includes information on the proper handling, storage, and distribution of fresh products in a timely manner.

  All of the foods USDA makes available are inspected for quality and wholesomeness prior to being distributed to State agencies. Unfortunately, in a few instances foods, such as the blueberries, arrive at their destination in an unacceptable condition. In instances in which the condition of a product is questionable, immediate action is taken to address the problem. Procedures have been established to replace products that arrive in an unacceptable condition. USDA did not receive any blueberry complaints from the State of California in SY 1994. Several fresh orange complaints were received. Most of the complaints received on fresh oranges were from States (California, Arizona, Texas) which required fumigation. This resulted in the fresh oranges remaining on the truck for an additional period of time which contributed to the spotted and shriveled outside

appearance of the fruit. In other cases, where vendor liability was determined the product was replaced by the vendor.

- **USDA often sends commodities which are inappropriate for school children. Oregon received cases of canned salmon, not a popular item among grade-schoolers and teenagers, and other districts have received so much figs, almonds, and dates that it took years to use them.**

Much emphasis is placed on purchasing products most desired by schools and that will be acceptable to children. School districts inform their State Distributing Agencies (DAs) on the commodities they would prefer and those which are most acceptable to children. State DAs, in turn, make this information available to USDA which is used to assist with determining the products to purchase. Canned salmon, figs, almonds and date pieces have been provided to States as bonus products. Bonus products are provided to schools over and above the amounts that USDA is required to give schools in their entitlement. It is strictly States' and schools' option whether to accept bonus products. Also, States and schools determine the quantities they can use without waste. However, it should be noted that the acceptability of some foods is a result of local and regional preferences. While all parts of the country may not find the foods mentioned desirable, we have received a number of letters in support of these very same foods. In the final analysis, States and schools do not have to accept bonus products if they don't desire them or cannot use them.

- **In addition to the poor quality of many USDA commodities, some items are more expensive than similar items available locally. Lansing, Michigan, School District notes that vendors can beat USDA's price in items such as breakfast egg biscuits, fruit pies, and tortilla chips and match the price on chicken nuggets. In the example from Lansing, USDA's chicken nuggets have almost twice the fat of nuggets provided through vendors.**

USDA does not offer and make available breakfast egg biscuits, fruit pies, and tortilla chips to schools under the National School Lunch Program. We understand that Lansing, Michigan purchases these products through a State processing contract. USDA provides a low fat, low skin, all meat chicken nugget to schools which is superior to most commercially available nuggets (no non-meat fillers, added water, etc.).

- **Northview Public Schools, of Grand Rapids, Michigan, could only use about 63% of its allocated commodity food dollars this year. Northview's Food Service Director explained that fruit and vegetables "often (arrive) in an unusable state." The Food Service Director for Bay City Public Schools, Bay City, Michigan, noted that this district's actual use of its budgeted entitlement has been steadily declining since 1988 and currently stands at less than half of this year's $131,428 budgeted entitlement.**

Currently, USDA offers over 85 commodities to schools. Hence, USDA provides a healthy array of commodities to schools and offers acceptable variety of commodities with a reduced amount of fat, salt and sugar. Additionally, USDA continues to incorporate new products as improvements are made in these areas. As products are considered, they are evaluated for user acceptability. Changes and improvements in products offered include:

- Increasing the quantity of fresh products purchased.
- Expanding the variety of poultry products, including frozen ground turkey and turkey burgers with an average fat content of 11 percent.
- Increasing the variety of whole grain products.
- Offering reduced-fat cheddar cheese.
- Lowering the fat in our beef and pork products.

We understand from the Midwest Regional Office that Northview Public Schools and Bay City Public Schools have used 83 and 67 percent respectively of their SY 1994 entitlement. These percentages will increase when final tabulations have been made. Most schools nationwide use all of their entitlement.

The Current System Needs More Flexibility

- **An order of tomatoes was delivered to the Marysville, California School District during Spring Break; no one was there to handle the order.**

States were informed of the various shipping periods when bonus tomatoes could be delivered, and they selected the shipping period when the product was to be delivered to the school district. Additionally, as required in the contract,

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vendors must notify the State prior to delivering tomatoes or any product. If vendors are early or late with deliveries, States can refuse to accept the product. In most instances products are delivered on time without problems.

- **In Portland, Oregon, a huge order of tomatoes was received that food service workers could not possibly hope to use before the produce rotted.**

States and schools make the decisions on the quantities of each product to order and have options regarding delivery periods. One offering of tomatoes included four weekly offerings between March 30 and April 23, 1994; another offering included the 4 weeks between May 14 through June 10, 1994. In addition, if a full truck load of tomatoes is too large for one school district, States can elect to split the truck and have the product dropped at several sites. Again, in many cases tomatoes are a bonus product, and States and schools share the responsibility to order the quantity they can use.

- **Portland is also receiving a "disproportionate" amount of a single commodity as its offered product: butter. This does not make any sense when trying to reduce the amount of fat in school meals.**

Butter is made available as a bonus commodity upon request by schools. These bonus commodities (extra foods) are offered to schools above and beyond their entitlement, and the decisions whether to order and in what quantities are left strictly to States and schools.

- **USDA "ships at their convenience" in the words of one member, and it is often difficult to plan meals around unknown foodstuffs arriving at an unknown time.**

States are apprised of the various shipping periods when each product can be delivered, and States select their desired shipping period. Occasionally, market availability and weather conditions do affect a delivery date. However, a notice of delivery document is provided to States prior to the product arriving. This document provides pertinent information on the product that will be delivered including the shipping period.

- **Deliveries have been regularly left at curbside. USDA personnel have sometimes failed to notify recipients, resulting in a delivery which arrives when school workers have already gone home. The food is thus left overnight.**

  Trucking firms used by USDA must obtain a signed receipt to receive payment for delivering the product. Most deliveries to schools are made by the State Agency rather than USDA. USDA normally ships products directly to State warehouses. In any case, the Department is unaware of any situation in any State in which deliveries are regularly left at curbside.

- **A member from California told us that the standard shipment size (1,000-1,500 cases) is too large to process in a timely manner.**

  All USDA products are shipped to States in truck load quantities. However, if a truck load is too large for one school district, States can elect to split the truck and have the product dropped off at several sites.

CLOC is Clearly a Success

- **CLOC pilot programs have been in operation for nearly 14 years and has been extended six times through legislative action. The Department has conducted two evaluations of the demonstration and spent over $8 million to administer and evaluate the projects.**

  The initial evaluation concluded that CLOCs provided flexibility to food service operations, but that this resulted in the purchase of more highly processed products and a reduced level of support for some commodities. More processed commodities included chicken, turkey and vegetable products. If implemented nationwide the report concluded that there would be farm level reductions in beef (0.3 percent), chicken (0.2 percent), pears (2.4 percent) and sweet potatoes (1.4 percent). Increased use was projected for field corn (0.1 percent) and palm, cottonseed and cassava (for oil; no percents given).

  The second evaluation of a modified CLOC program was narrowly focused on market removal, timing of purchases, and domestic origin of purchased products. While it found that a number of the market removal and timing issues had improved, questions remained about the ability of CLOCs to obtain an equivalent market impact to direct donations. It also found that CLOC cannot ensure purchases of domestic origin, which is major concern to the Department in a program that is designed to provide support to buy domestic agricultural markets.

Mr. STENHOLM. I would like to combine both of the last two panels. I apologize. We are going to have several more votes, and I believe it will expedite your schedules and all if we will ask panel 3 and panel 4 to come to the table at this time.

Our next witness will be Ms. Marilyn A. Hurt, chair of the legislative committee, American School Food Service Association.

STATEMENT OF MARILYN A. HURT, CHAIR, PUBLIC POLICY AND LEGISLATIVE COMMITTEE, AMERICAN SCHOOL FOOD SERVICE ASSOCIATION

Ms. HURT. Thank you, Mr. Chairman. I am delighted to represent the American School Food Service Association here today. I am Marilyn Hurt, the supervisor of school nutrition programs for LaCrosse, Wisconsin, and chair of ASFSA's public policy and legislative committee.

The commodity distribution program has been a part of the school lunch program since the beginning. Indeed, USDA was distributing commodities to school food programs prior to the enactment of the National School Lunch Act in 1946.

The USDA CLOC pilot program, as you know, continues today as a result of several congressional extensions in the pilot program. Throughout this entire period, ASFSA continued to support, and supports today, the USDA commodity distribution program.

About 20 percent of the Federal support for the national school lunch program is in the form of USDA commodities. The commodities are an important part of our programs. In addition to the 14 cents that we receive in entitlement commodities, we receive bonus commodities when they are available. During the mid-1980's, when our program suffered drastic budget cuts, we relied heavily on the bonus commodities to reduce our food costs and provide economic stability to our programs.

In addition to the economic support provided by the commodity distribution program, commodities have been a part of the historical roots of the school lunch program, one of the stated purposes of the program, and a part of the political base of the school lunch program.

Some might argue that from an agricultural perspective, the importance of the school lunch program is greater today than it was in earlier years.

As you know, a number of ag organizations wrote to President Clinton in March of 1994 urging his support for an increase in commodity purchases for domestic distribution. Their thesis was that under GATT, domestic agricultural price supports will be lowered. However, GATT allows the United States, and all other parties to the treaty, to continue to support domestic agriculture through the purchase and distribution of domestically produced commodities.

One of the specific CLOC provisions in H.R. 8, a new idea, would be to allow schools to use 10 percent of their commodity entitlement for CLOC's for fresh fruits and vegetables. ASFSA is committed to the dietary guidelines and has endorsed all three versions, including the one released in 1990, which for the first time applied to children.

We are concerned, however, about this provision because it tells us how to achieve the goal rather than focusing on the goal itself.

This provision could provide more paperwork to a program that already has too much. The administrative costs for this very small provision would not be a wise use of these limited resources.

One of our major concerns with CLOC is the administrative complexity. Currently, the CLOC pilot programs are administered by the Virginia Polytechnic Institute, which has been able to provide all of the pilots with significant personal attention. That kind of hands-on assistance would not be available if there were thousands of CLOC's. One of the major goals of H.R. 8 is to lower administrative burdens and costs suffered by our programs. The Education and Labor Committee included many strong provisions to reduce paperwork and increase flexibility in H.R. 8. We fear that the fruit and vegetable CLOC provision could go in the opposite direction.

It is equally important to point out that those schools which have experimented with the CLOC pilot have, by and large, been satisfied with the program. Indeed, some CLOC sites are more than satisfied. They believe that CLOC is far superior to the commodity program. Under CLOC, commodities do not have to be stored and schools don't have to worry about whether USDA will deliver the commodities on time.

We also appreciate the fact that the members of the House Education and Labor Committee, who are strong and committed allies of our programs, feel that CLOC would work better from a local school perspective.

In many ways, Mr. Chairman, the CLOC issue represents a conflict between two important, yet different, policy objectives. ASFSA will almost always support giving local school food service administrators greater flexibility and more options so that we might decide for ourselves how best to run our programs.

In the area of CLOC and commodities, however, the goal of local flexibility comes up against the national policy objective of helping domestic agriculture. If the Congress were to terminate the commodity distribution program in favor of either cash or CLOC, it would be a fair question to ask whether the school lunch and breakfast programs should remain in the Department of Agriculture. It is not my intention to answer that question today, but rather to recognize the larger policy implications of terminating the commodity distribution program.

If we are going to sever our link with agriculture, we should also ask whether or not we should move beyond CLOC and go straight to cash. Since 1981, when the CLOC pilots started, we have seen Federal support for the school lunch programs slashed and the regulatory burden increased. If Congress were to decide that the school lunch program was no longer important as an ag program, then perhaps we should not impose the administrative burden of running the CLOC program, and should just give the school districts cash.

We have been talking about CLOC and cash and commodity reform for more than a decade. We actively supported the Commodity Distribution Reform Act of 1987, which improved the commodity program. The commodity program is far superior today to what it was in the 1980's.

Our association supports the national policy objective of helping domestic agriculture and believes we can work with Congress and

USDA to continue to improve the commodity program in ways that will benefit both agriculture and the Nation's children.

[The prepared statement of Ms. Hurt appears at the conclusion of the hearing.]

Mr. STENHOLM. Next, Ms. Catherine Miller, president of the American Commodity Distribution Association.

STATEMENT OF CATHERINE MILLER, PRESIDENT, AMERICAN COMMODITY DISTRIBUTION ASSOCIATION

Ms. MILLER. Good afternoon, Mr. Chairman. My name is Catherine Miller, and I am the president of the American Commodity Distribution Association. I am also the chief of the New York State Bureau of Government Donated Foods which distributes federally donated commodities through eight of the Department of Agriculture's food distribution programs. I appreciate the opportunity to testify before the committee on the commodity letter of credit provisions of H.R. 8, the child nutrition reauthorization bill.

ACDA is a nonprofit professional association whose members include State and territory commodity distribution agencies, agricultural organizations, food processors, warehouses, food banks, commercial distributors and transportation companies, recipient agencies and individuals. We work closely with our members, the Department of Agriculture, allied organizations, and various hunger relief and advocacy groups to improve the commodity distribution program and consistently meet the needs of the recipients as they change.

Mr. Chairman, ACDA's position on the CLOC program is simple. We oppose any extension or expansion of the CLOC program, and we oppose the CLOC provisions included in H.R. 8. It is our opinion that the current CLOC pilot projects should return to the commodity distribution program when the authority for these pilots expires later this year.

The CLOC provisions of H.R. 8 would permanently reauthorize the existing cash and CLOC pilot projects, establish one statewide CLOC pilot if requested by 80 percent of the schools, and allow schools to receive 10 percent of their commodity entitlement as a CLOC for fresh fruits and vegetables.

Our opposition to these provisions does not mean that we do not support the goal of increasing the use of fruits and vegetables in the school lunch program. On the contrary, we strongly support that goal. We simply believe that a specialized CLOC for fresh fruits and vegetables is neither the most effective nor the most efficient means of achieving this goal.

The CLOC pilots characterize what we hear all too often about Government programs, especially agricultural programs: That a pilot program is nearly impossible to eliminate after it is initiated. I won't go into the history of the projects and the pilots because that has already been discussed by at least two or three of our other witnesses this afternoon, and I don't see any point taking up the time to do that.

We do feel the commodity distribution program is better suited to meet the needs of schools and American agriculture than the CLOC program. We believe the commodity distribution program has the unique ability to spend and reap a benefit from the same

dollar twice, something that is very hard to do today, once when it purchases commodities and a second time when these commodities are donated to schools and other outlets.

Last month, ACDA and 16 other agricultural groups wrote to Secretary Espy outlining our concerns about the fate of the CLOC program. This letter outlined the basis of ACDA's opposition to the CLOC program which is very similar to USDA's rationale for opposing this program.

We are pleased that Secretary Espy has taken a position opposing the CLOC pilots as did his predecessor, Secretary Madigan. The Department's official opposition to the CLOC pilots was included in its analysis of H.R. 8 which was sent to the House Education and Labor Committee on May 16.

I would like to summarize briefly our reasons for opposing the CLOC program and the CLOC provisions of H.R. 8. First, the commodity distribution program purchases products at the lowest possible price and in such large quantities that it provides economies of scale the CLOC program simply cannot offer. Coupled with the Department's massive buying power, these purchases guarantee that Federal money is spent as economically as possible. CLOC purchases, being at the consumer end of the market, are more costly, and cannot possibly match USDA's buying power, even when made by large school districts.

Second, the Department's purchases have a significant stabilizing effect on the agricultural market. Any expansion of the CLOC program would hinder not only the Department's ability to provide nutritious products to the child nutrition programs, but also its ability to stabilize agricultural markets.

Further, the commodity distribution program will be of even more importance to American agriculture after implementing legislation for the General Agreement on Tariffs and Trade is passed. GATT would restrict the Department's ability to support American agriculture and protect the market from unavoidable price fluctuations. However, GATT specifically exempts green box programs from being defined as trade barriers.

Green box programs include several domestic food assistance programs served by the commodity distribution program, such as the emergency food assistance program. Indeed, funding levels for these programs should be reviewed and possibly increased if Congress wants to maintain the Department's ability to stabilize markets in a manner that is acceptable under GATT.

Third, rural areas and small school districts would be at an economic disadvantage by using CLOC. The commodity distribution program provides products and services at equal cost to school districts regardless of size and location. Small, rural school districts in every State receive products at the same value as the larger cities in that State. Under CLOC, larger cities would benefit from lower transportation costs and leveraged buying power, while the smaller districts would be forced to pay much more for comparable services.

Despite its reputation as an urban State, New York has many rural areas and some are so small and remote that schools have difficulty identifying vendors to serve them. Providing such dis-

tricts with a CLOC would be of no benefit, and would only serve to increase their frustration.

Fourth, the CLOC program is an additional administrative expense for the school lunch program. The current CLOC pilots rely on the duplicitous administrative structure that diminishes the funds of the school lunch program as a whole. The Department estimates that expanding the CLOC program would incur additional costs.

If a statewide CLOC is created, as proposed by H.R. 8, the Department estimates the program would cost up to $2 million to operate. This expense would be an unnecessary drain on the Department's resources, and is money that could be better spent elsewhere. As we continually try to reduce costly administrative burdens, this is a step in the wrong direction.

Fifth, the school lunch program is the backbone of the commodity distribution program. If the CLOC program is expanded and more schools use a CLOC option, the infrastructure provided by the commodity distribution program would be weakened significantly. If this does happen, we need to ask ourselves: What will happen to the smaller programs served by the commodity distribution program?

TEFAP, the soup kitchens and food banks program, the food distribution program for Indian reservations, and the Department's disaster assistance efforts would be weakened by the expansion of the CLOC program. Disaster assistance is a perfect example. As we have learned in recent years, commodities in storage at recipient agencies or in warehouses for schools are often the first response to natural disasters.

Sixth, the commodity distribution program can guarantee that the purchased commodities are domestically produced, but the CLOC program cannot make a similar guarantee. Although CLOC purchases are required to follow the same domestic content policy, attempts to assure domestic content are burdensome, costly, and uncertain.

In a time when we are attempting to reduce the paperwork burden on schools, the CLOC program would simply provide another avenue for reviews, verifications, and undue emphasis on the administrative aspects of the program to the detriment of the real focus—feeding hungry children.

In 1987, Congress passed the Commodity Distribution Reform Act and WIC amendments of 1987. This law brought about monumental improvements in the program, both by USDA and by State distributing agents like myself. One significant improvement was in the area of quality.

Commodities purchased by USDA have shown significant improvement in recent years in terms of their nutritional qualities. Fat, sodium, and sugar are routinely reviewed, and our schools find that USDA commodities can form the basis for sound nutritional meals for children.

Many schools have told me it is not possible for them to purchase the same quality that the Department provides, and their costs would be higher even when purchasing products of lesser quality. Today, foods purchased by USDA are universally recognized as being the best money can buy. Not only has the nutritional profile

and variety of products improved, but new packaging better meets the needs of recipient agencies and the delivery system has become more timely and responsive.

Another major improvement was the creation of a National Advisory Council for Commodity Distribution. The advisory council brought together representatives of all groups served by the program to continuously identify additional areas where services can be improved. As a result of the advisory committee's initiatives, recipients, especially school districts, are more than satisfied with the operation of the current program.

Mr. Chairman, ACDA believes that the commodity distribution program is the most economical system for providing schools with the nutritious products they need.

In recent years, the cooperative effort between the Department and the agricultural community has improved the distribution program and its products to better meet the demands of recipients. These changes have helped and will continue to help the program meet its traditional goals of providing nutritional assistance to schools and support of American agriculture, two goals the CLOC program can never hope to realize.

The Commodity Distribution Program still works, and there is no question it will continue to evolve and improve its services, even with the implementation of the dietary guidelines that were announced yesterday. The dietary guidelines are an important part of the Department's mission, and ACDA, ASFSA, and many other groups support these guidelines.

Some would argue that the commodity distribution program is incapable of meeting these goals, but that simply is not true. The commodity distribution program has proven it is capable of changing to meet the evolving needs of its recipients, and it is well suited to deliver products that adhere to the dietary guidelines. The commodity distribution program can and will meet any challenge that the implementation of these guidelines may present.

Thank you again for the opportunity to testify. I would be delighted to answer any questions you might have.

[The prepared statement of Ms. Miller appears at the conclusion of the hearing.]

Mr. STENHOLM. Next we will hear from Ms. Pat Holstein, food service director, Lexington School District.

Mr. FARR. Mr. Chairman, may I ask a question? We are all sort of going back and forth between votes, just make a quick comment?

Mr. STENHOLM. Make it quick.

Mr. FARR. Thank you. I want to just say I really agree that the USDA can coordinate the twin objectives of both distributing food and dealing with the market surpluses. My opinion, the CLOC program would only cover about 10 percent of the goods received by schools from USDA.

The question I want to know is how much does the administration of the CLOC program cost USDA per year and if the CLOC does interfere with the ability of USDA to remove market surpluses effectively, do we have any data on to what extent it interferes and lastly if H.R. 8 were implemented as it now stands, what percentage of the food received by the schools from the USDA would go through the CLOC system?

Could you get answers to those questions for me and send them to my office?

Mr. STENHOLM. I believe that question should have been asked of Ms. Haas and the previous panel. We will get answers in writing for those questions for you from the previous witness.

Mr. FARR. Thank you. I appreciate that.

Mr. STENHOLM. In fact, they were written in some of the written testimony you have, you have some of the answers to the cost in Ms. Haas' question.

Mr. FARR. I will look to that. The bell rang before I got to answer my question.

Mr. STENHOLM. Good.

Proceed, Ms. Holstein.

STATEMENT OF PAT HOLSTEIN, DIRECTOR, FOOD SERVICE, LEXINGTON SCHOOL DISTRICT 3, BATESBURG, SC

Ms. HOLSTEIN. Thank you. Mr. Chairman, members of the committee, my name is Pat Holstein and for the past 15 years, I have been food service director of Lexington School District 3 in Batesburg-Leesville, South Carolina. This is located near the center of the State, about 35 miles south of Columbia, the State capital. It is a very rural area, and as far as agriculture goes, the main money crop is peaches.

Lexington District 3 is a very small school district with only 2,400 students and four schools. We feed an average of 1,350 student lunches each day and 725 eat breakfast. We serve 4- and 5-year-old kindergarteners as well as grades 1 through 12.

Fifteen years ago, commodities came in without a schedule that I could ever determine. They simply arrived, and the cafeterias had to find some way to store them. Then the cafeteria manager had to find some way to prepare them so the kids would eat them. Most of these commodities were in a form that was very labor intensive, and the thing that really concerned me about commodities was the attitude the cafeteria workers had. They felt they were free, they were very careless in the use of them, they wasted them, and complained constantly about them. They never thought of them as costing money.

When I was asked by South Carolina's commodity chief at the time, Mr. Ramon Aycock, to take part in this cash/CLOC study, I felt it would be a wonderful challenge and might help the food service program financially. I knew the cafeteria workers would think of CLOC food then as real food and be more careful in its use. I was right on both counts.

The CLOC money is sent quarterly, as most of you know. In other words, instead of having that 14 cents a meal tied up in storage, the district has up-front money to buy food as USDA does, but in a form usable right then. For instance, instead of whole turkeys, turkey rolls or roasts, the district buys a lot of ground turkey. It is cheap, it is in a usable form, and it is low in fat.

Several years ago, I was teaching a Red Cross course called Better Eating for Better Health to the cafeteria managers. This course was all about cutting the fat, sugar, and salt in the diet. As a result of this 6-week class, we began to change our recipes to reflect these new ideas.

Without saying one thing to the students or teachers, we did a few simple things. We reduced the sugar by one-third in foods and began offering more fresh fruits as desserts. We reduced the salt in foods and removed salt shakers from tables. We began using more fresh and frozen vegetables.

When USDA came out with the latest food pyramid and suggested keeping the fat to 30 percent of the calories in our lunch menus, we were already doing this in our cafeterias.

Approximately 15 percent of the money spent on food in our cafeterias now is for fresh fruits and vegetables. With the CLOC's received, we can buy fresh, frozen, or canned foods, and the favorite vegetable in our schools is broccoli, cooked or fresh.

Children eat at school what they are used to eating at home, so we try to educate the parents in nutrition as well as the children by publishing menus in the local and State newspaper. These menus have been analyzed by some software called NutriKids which has all the USDA recipes and products and the nutritional data on them. Monthly menus are sent home with each child. I might say, I received one of those NET grants, and that is how I bought this NutriKids.

Now, what does all this have to do with CLOC? One, the food, both CLOC and purchased, is bid. And when I bid it, I specify it has to be produced in the United States. The CLOC food gives me more buying power. The food costs for our district have not increased in several years, which keeps our paid lunch price at $1 and $1.15, and 50 cents for breakfast.

To have commodities shipped from the warehouse to a cafeteria costs $1.75 a case or bag. With the food I bid, this is included in the cost. When this $1.75 is added to the cost of the commodity, my price is almost always as cheap or cheaper.

Two, financially, we stay in the black. We are able to buy equipment and keep our cafeterias attractive.

Three, we are meeting those dietary guidelines.

Four, we have a high participation in breakfast and lunch because we can offer foods the kids will eat.

Five, our food inventory is kept at a reasonable level. At the end of the year, we do not have a large food inventory to worry about like we did when we had commodities. Even with all the improvements made in commodities, these commodities still come in at the very end of the school year and have to be stored.

When Hurricane Hugo visited our State a few years ago, we thought our area of the State would be affected. If it had been, there was enough food available in our cafeterias to feed 2,000 lunches and 1,000 breakfasts every day, which would have almost fed Batesburg-Leesville. We could have done this for 7 days. If we would have had commodities, there would not have been enough in the freezer, cooler, and store room to do this because that food would not have been easy to prepare.

Yes, we continue to get bonus commodities, but every year they dwindle. Eight years ago, I think my bonus commodities were maybe $12,000. This year, they were $6,100. Yes, I understand from other food service directors that commodities have improved in the way they are packaged and in acceptability, and I think you might thank these cash/CLOC pilot programs for that, because we

have more or less been a thorn in your side, but maybe you needed that.

If we are capable of buying over 90 percent of the food—and from my figures, I came up with 10 percent for the commodities plus the bonus—why can't we buy 100 percent? I reproduced some charts showing you how our expenses were in our district. As you can tell, I was taking a computer program and this was one of my projects for the program.

It is important to keep the cash/CLOC option in H.R. 8 even though it is included in H.R. 4221. This pilot program deserves to be permanently authorized. It is an improved program and deserves special consideration. It is a wonderful way for a State to make comparisons on food costs and acceptability of school lunches and breakfasts of CLOC schools as compared to commodity schools. Now listed below are several more reasons for permanently authorizing the cash/CLOC program.

One, the continuation of the program requires no additional funding.

Two, CLOC has had one of the greatest impacts on school lunch service programs, particularly with increased participation, more flexibility, improved nutritional awareness, and provides the children with acceptable meals with a minimum of waste. The need for food to come in different forms has been tremendous. Our children receive the benefits.

Three, the CLOC program must spend their vouchers at the same time the USDA is making their purchases. This relieves surpluses of specific farm products and meets price support goals. Political ties can be far more reaching when we purchase locally since we affect more farmers and industries than when USDA purchases the food. The CLOC program still meets the farm support objectives and works much better for schools.

Four, since we bid, we had competitive prices on our CLOC purchases, and they were delivered at the same time as our groceries without additional expense. We were able to coordinate deliveries with menus, thereby giving us security in planning. This saved on warehousing and storage.

Five, in some cases, we were able to serve foods purchased with CLOC funds before commodity schools were notified they were going to receive it. This has been proven.

Our concerns, yours and mine, have to be for the good of the program. The study has proven, without a doubt, that CLOC is a viable alternative to the present commodity system. Please allow us the option of CLOC and extend that option nationwide.

We are deeply grateful for your support for child nutrition programs, and please consider the positive effects of the CLOC program. We have tremendous respect for the Agriculture Committee and trust you will consider what is best for the national school lunch and breakfast program. The ease of the CLOC program and adaptability to our needs warrant a hearty stamp of approval.

Thank you.

[The prepared statement of Ms. Holstein appears at the conclusion of the hearing.]

Mr. STENHOLM. Thank you very much.

Let me ask you, do your schedules permit you to stay? I have a vote and we have to take a little break here. Do your schedules permit you to wait?

We will stand in recess for approximately 10 minutes.

[Recess taken.]

Mr. STENHOLM. The subcommittee will again come to order. We will hear from our next witness, Mr. Rick Pasco, vice president of government affairs, National Pork Producers Council.

Welcome.

STATEMENT OF RICHARD PASCO, VICE PRESIDENT, GOVERNMENT AFFAIRS, NATIONAL PORK PRODUCERS COUNCIL, ON BEHALF OF THE COMMODITY DISTRIBUTION COALITION

Mr. PASCO. Thank you. I am presenting today's testimony on behalf of the Commodity Distribution Coalition. This coalition is an informal group of agricultural associations that are strongly supportive of the Department of Agriculture's commodity distribution programs, which serve the dual purposes of providing the best possible nutrition for our Nation's schoolchildren and of helping stabilize U.S. agricultural commodity markets.

Mr. Chairman, I would like to ask that my written statement be made part of the official hearing record. I also wish to add two organizations to the list of those signing on this testimony. Those two organizations are Western States Meat Association and the Apricot Producers of California.

Mr. STENHOLM. Without objection.

Mr. PASCO. We appreciate this opportunity to testify on the commodity letter of credit provisions contained in H.R. 8. We have great concerns about how the extension or expansion of the CLOC program would affect the future viability of the USDA's commodity distribution programs. Our coalition, which is representative of the agricultural community, is opposed to the continuation of the CLOC program. We believe that the CLOC provisions of H.R. 8 threaten the long-term operational effectiveness of the overall commodity distribution system.

USDA's ability to stabilize agricultural markets through large volume purchases of commodities would be seriously compromised without the assistance of a significant commodity distribution program.

The commodity program will be even more significant now that the Uruguay Round of the GATT is completed. With the successful conclusion of the Uruguay Round, the United States will face both a reduction in tariff receipts and a phase-down of direct price supports. Reductions in import tariff receipts that are used to finance USDA commodity purchases and provide direct funding to schools will also affect the overall Federal Government assistance available for our Nation's food assistance programs. Any phase-down of price supports and loss of tariffs will also make it more difficult for the United States to support agricultural production.

It is also important to note that commodity purchases by the USDA only represent about 20 percent or less of the food acquired for the school lunch program. This leaves considerable flexibility to school districts which can continue to use the vast majority of funds that are remaining for other purposes, including labor costs

and purchases of food locally. The various USDA commodity distribution programs give the Secretary of Agriculture an extremely effective tool that he can use in providing assistance to America's agricultural producers.

One of the major goals of our agricultural policy has been to stabilize the "boom or bust" swings in the farm economy. When markets are soft in a given commodity, the Secretary can help boost market prices by purchasing the commodity that is experiencing depressed prices. For many commodities such as pork, beef, turkey, chicken, eggs, peaches, apples, cherries and many others, the commodity distribution program represents the only significant program available to the Secretary of Agriculture as a market stabilizing mechanism.

USDA commodity programs have not only played a special role in the development of agricultural policy, but have played an important role in the development of this Nation's nutrition programs. The commodities provided for in the school lunch meals, for example, have played a key role in meeting the recommended nutritional needs of children while keeping costs down.

In recent years, the USDA and the agricultural community have worked together to improve the distribution program and the nutritional profile of products to meet the needs of recipients. By building on these improvements, the program will be able to meet the changing needs of its recipients and simultaneously support American agriculture.

After a number of reauthorizations by Congress and years of ongoing review, it is clear that the commodity program now in place works better than the CLOC/cash alternative. The more-than-a-decade-long study has yielded no compelling evidence sufficient to warrant Congress to again extend and even expand the number of CLOC sites. Congressional termination of the CLOC program is long overdue.

We strongly support the USDA's position opposing all provisions in H.R. 8 that make permanent the existing pilot projects that operate CLOC systems or expand the number of CLOC sites. As stated by the USDA, it is in the best interests of agricultural producers, administrators of commodity distribution systems, and the recipients of USDA's domestic commodity programs to retain the traditional commodity programs.

Commodity letters of credit or even cash given directly to schools, by themselves, cannot match the buying power of a single Federal Department in making large volume purchases of commodities. In addition, the USDA's commodity program assures the domestic origin of the foods purchased, which is clearly a critical feature of the program.

We have serious concerns about the long-term implications of section 110 of H.R. 8. If a whole State can opt out of the commodity distribution program, the Secretary of Agriculture's ability to have a positive impact on the market price of a particular commodity will be reduced over time as the size of the USDA purchases shrink.

Moreover, as the volume of commodities purchased is reduced, the effectiveness of the commodity distribution network in provid-

ing the commodities to food assistance programs outside of the school feeding program is jeopardized.

We urge this committee to reject the provisions of H.R. 8 that further expand the number of CLOC sites. It is time to recognize the CLOC program has been sufficiently reviewed after a decade of experimentation. We believe the day has come for Congress to put an end to this program.

In times of serious budgetary constraints, the Federal Government can no longer afford the luxury of paying the administrative costs of dual programs that serve the same purpose. Once and for all, we must choose the commodity program over the CLOC program. There is not sufficient justification for Congress to again extend the CLOC program one more time and continue to administer overlapping programs.

[The prepared statement of Mr. Pasco appears at the conclusion of the hearing.]

Mr. STENHOLM. Thank you, each of you, very much for your testimony today.

Two or three questions that I wanted to ask of this panel.

Ms. Hurt, you stated some concerns about the dietary guidelines. The one released in 1990? Or were you talking about the proposed rule that was released for comment yesterday by the Department?

Ms. HURT. I indicated that our association has supported the dietary guidelines over the years through the three different editions that have been released and the most recent edition was released in 1990. I was not referring to yesterday's.

Mr. STENHOLM. So when you are talking about the provision telling you how to achieve the goal, it is my understanding that proposal out for comment now is going to try to steer away from telling you how to do it; just state the goals and let the individual school lunchroom providers make those determinations with certain flexibility.

Ms. HURT. I have not yet read the regulations, and we hope that it does improve our flexibility. We are concerned about the weighting of different food items. We are wondering if, in fact, that will reduce the variety of products that we offer. And one of the dietary guidelines is to increase the variety of foods offered and consumed. So we hope that the regulations meet the dietary guidelines in that area, also.

Mr. STENHOLM. My own purpose in bringing that up, the purpose of this hearing today is on the commodity programs and improving in those areas. We intend to hold oversight hearings, probably in late July or early August, during the comment period regarding the dietary guidelines, and also hopefully continue improvement in the manner in which the commodity programs are working. So we intend to provide some additional oversight in that area working with all groups to see that we accomplish what each of you want accomplished.

I must say Ms. Holstein, I appreciate your testimony and your commitment to CLOC. You obviously believe it to be working because it has demonstrated to be working for you. You undoubtedly have listened to the allegations that it is fairly costly compared to CLOC. There are also allegations that we don't take into consider-

ation all of the costs, et cetera and these are things that we need to continue to look at.

But, I must tell you that it is the intent of this chairman, and I believe I speak for this subcommittee, to work to make the distribution program work better so you will want back in. That is my goal. Because I truly fear that if we go CLOC for everyone, that you will not be as supportive and happy with the program in the long term as you would be if we do a better job on the distribution of commodities so that you would want back in and not want to be a part of CLOC.

And that is what I hope with today's hearing and some additional work along these lines that we will accomplish. Because when I mentioned a moment ago that if we do CLOC for everyone, then all of a sudden it is a cash distribution program, and then I don't know of any real reason to continue the cash program, the support thereof, in light of tight budgets.

I mean we had revenue sharing for cities. A wonderful program, worked extremely well. It was one of the most efficient programs that we could possibly have, but we eliminated it for one reason and that was because we didn't have revenue to share. And the same, I am afraid, will move in the school lunchroom from a Federal perspective because most Members of Congress that I am aware of believe that education is a State and local issue and the Federal involvement should be minimal.

And one of the reasons why the commodity program has worked so well for all parties is that there has been a joint benefit. Producers as well as consumers have jointly benefited. And it is a kind of goal that I have as chairman of this subcommittee to keep working to bring consumers and producers together.

Far too often the middleman gets involved in this and the consumer and the producer do not benefit. And so I think it is extremely important that we work to improve the manner in which the commodity program works, particularly as Mr. Pasco testified as to GATT and what we have already seen where we are moving more and more to market-oriented programs.

And when we start doing that, there is going to be a dramatic effect on feeding programs, and the commodities are very important to most of our school lunchrooms.

We have weaknesses in the program, and even though we have improved it since 1987, I think there is a lot more improvement that can be made if we just put our shoulders to the wheel and decide that is what we want to do.

I am worried, though, when we start having divisions of opinion, and some urging making permanent a temporary, experimental project that has not—well, you say it has worked beautifully. If it has worked beautifully, then why shouldn't we do it for everybody?

Ms. HOLSTEIN. It would suit me.

Mr. STENHOLM. It would suit you? But it doesn't suit everybody else?

Ms. HOLSTEIN. That is right.

Mr. STENHOLM. That is what makes this country such a great country, isn't it? We can have differences of opinion.

What is your reaction? How would you respond to my generalized statement that I just made?

In all honesty, if CLOC is working, and in all fairness I have not seen evidence that it is working so well that I would be enthusiastic in putting it into every single school district, nor did Mr. Goodling, which indicates to me that there may be some weaknesses to the program. Do you see any or are you here totally in support of CLOC? And you have already stated, but I just want to have you say it again, you would like to see CLOC for everyone; for your school district and you believe it will be good for other school districts in your State and be good for the Nation if we CLOC'ed everything?

Ms. HOLSTEIN. It has worked for me, because I have had a personal interest in it and I wanted it to work. I still think it was just an option that was out there as an option. It has done a whole lot of good in that we have changed a lot of commodities. Commodities have gotten better. I think there are some commodities we should never support, since you asked me.

I see no need to support pineapple since it is very hard to find any produced in the United States. I find it very hard to support the prune industry when we have such a hard time getting rid of them.

There are some crops I have never quite seen the need to support, and I have an agricultural background myself. I was raised on a farm. I think the big thing to begin with was to get rid of the surplus products, and you have always done a very good job of it. I could see us, as I said, as having a CLOC site maybe in every State to sort of counterbalance and see where changes might be made and sort of keep USDA on their toes, but I would not know how to answer that because I have been out there sort of by myself doing this.

There have been so few doing it. How do I know how it would work for everybody? Everybody may not bid their food like I do. But it would certainly work for small districts because it comes in with regular food. Does that answer your question or confuse you?

Mr. STENHOLM. Yes, ma'am, that answered it and one of the key things that you said, it worked for you because you wanted it to work. And that is not a bad philosophy for Government; that if we want the commodity program to work, we need to work at making it work and if you don't want it to work, it is not going to work.

And far too often that is what we end up doing. We don't want them to work or we are not willing to do, as apparently you have done with your school district. You put in the necessary time and effort to make it work and apparently you are doing a very good job. The fundamental question for all of us, though, will it work equally well for all?

And that is where I have a fundamental problem. And I would answer my own question saying I don't believe that it would for the reasons that I have tried to state. But that does not mean necessarily that it would not.

Ms. HOLSTEIN. But if you are going to buy, as I said, like 90 percent of your food, I really don't see why you couldn't go ahead and buy the other 10 percent, if you had letters of credit and specifically say you have to spend this much for beef and you have to prove that you bought this beef or this turkey or whatever, you are

still spending it on beef or turkey. You are still getting it off the market.

Mr. STENHOLM. You believe you can buy it as cheap as USDA can buy it?

Ms. HOLSTEIN. I do.

Mr. STENHOLM. You do. Day in and day out?

Ms. HOLSTEIN. Yes.

Mr. STENHOLM. The rest of the folks ought to be taking a look at you. You ought to write a book because you have something going for you that the rest of us could use.

Ms. HOLSTEIN. Would you like my specs?

Mr. STENHOLM. Ms. Hurt, and Ms. Miller, any specific suggestions additional to what you have stated in the record or maybe reemphasizing your statements as to how we can make the commodity program work better so Ms. Holstein would want in it and not out?

Ms. HURT. Yes, Mr. Chairman. First, I want to say that I disagree with Ms. Holstein in her statement that some commodities shouldn't be commodities. I think that those are nutritious foods and when they come into our schools then we are challenged to use them. And take prunes, for example. They are high in fiber. They are very nutritious, and so we are challenged to use them.

I think we receive asparagus, for example. I don't know if I ever would have put asparagus on the menu had it not come in as a commodity, but it came in and it was beautiful and we served it and the kids like it. We are now bidding asparagus. I think it brings foods in that we might not have thought about using. I think that the program can be improved.

I talked to people in other States who are still complaining about distribution problems. Wisconsin has a very good program, and that is probably one of the reasons that I feel so strongly about it. However, I think we should look more carefully in the area of fresh fruits and vegetables.

Maybe that is not the place for fresh fruits and vegetables in the commodity program. We need to be shown how to use more fresh fruits and vegetables. We need regulations that allow salad bars, for example. Currently you have to do your point of surface at the end of the line and you don't have the room for all the fresh fruits and vegetables that you would like for kids, so we need to look at the regulations that in fact prevent us from doing that kind of thing and then allow us to buy our fresh fruits and vegetables off of our local market if we want, but keep the commodity program, unless they are going to be able to do distributions once a week.

Produce is very sensitive to time and temperature and needs to be handled carefully and different produce needs to be handled differently. So maybe that is not the place for it.

I also think that we need to be able to get products when we need them. For example, every school I bet in this country has a Thanksgiving meal in November and yet we get the turkeys in December. That just seems logical. Why is it we can't get turkeys delivered so that they can be offered for that Thanksgiving meal?

So those are the kinds of things we need to be looking at improving. And we believe that continuous improvement is the way to go.

It has come a long way, but we would like to see it continue to improve.

Mr. STENHOLM. I was afraid for a moment you are going to say that you had found a way to put prunes on asparagus and make kids eat them and I was going to ask you a question about that, but I am glad that was not the direction you were going.

Ms. MILLER. I would like to say that ACDA also believes that there are improvements that continue to be made and need to continue to be made to make the commodity distribution program all that it can be. Certainly the timing of purchases and deliveries is an area where USDA has made some improvements, but we need to have more improvements made.

I agree with Ms. Hurt that perhaps the commodity distribution program is not the place for a full array of fresh fruits and vegetables. There are some that work fairly well like apples and pears and potatoes that have a relatively long shelf life but things with a 7-day shelf life, perhaps, that is not the place to be purchasing them.

When the commodity distribution program purchases 20 percent of the food used by schools, perhaps it should be concentrating on the things that every school uses like hamburgers, turkey, chicken, canned peaches, canned pears, the frozen and canned vegetables. And maybe a wide variety of fresh fruits and vegetables is not the place for that 20 percent of the money to be spent. But we would be happy to work with you and with the Department of Agriculture to provide you with a list of improvements we would like to see made and to continue to work to make sure they are implemented.

Mr. STENHOLM. The final question, Ms. Holstein. If you were to be put in charge of the commodity program to make it work, what are the first one or two things you would do?

Ms. HOLSTEIN. I would probably change some of the pack size, and they have changed some of the pack size. I can remember when everything was in 50 pound bags and the ladies had to be able to lift 50 pounds to be able to work for the food service because that is what that bag weighed.

As she said, stay away from the fresh stuff. You can't transport that around the country. Like peaches. Here I am in peach country. There is no way that we can ship them up to you all in a week and you have fresh peaches. We certainty couldn't ship them across the United States. Stick to the things that they do best like turkeys that are boneless, chicken that is boneless, but put it in a form that is not a 40 pound lump.

I mean, let's put that chicken, like I buy it, a drumstick that is going to provide an ounce-and-a-half of protein for that child; a thigh, that will provide 2 ounces, and I don't have to worry about all those wings and backs and stuff. Buy first quality stuff. I am not sure sometimes some of that stuff I used to get was first quality, not when I had worms in the corn and they said if there is only one worm in the can, they said that is OK.

Mr. STENHOLM. A little higher protein.

Ms. HOLSTEIN. Yes, that is what they said. And I don't know. This is going to happen any time that you buy canned stuff because I have gotten stuff from a wholesaler and it would have a bug, but all you had to do is turn the can over and give them the number

and say let me tell you what you did and he replaces it with an apology. You don't get that with the commodity foods.

The bonus foods have almost dried up, if I am not mistaken, because mine are almost down to nothing. And I don't see supporting pineapple when we don't grow any pineapple except for a little bit in Hawaii. I would get foods that we do have a surplus of, that we can use, and that are low in fat.

Mr. STENHOLM. I would appreciate it if each of you in the next 5 days, since this hearing record will remain open for 5 to 7 days, if you think of anything else, these kinds of suggestions, put yourself in charge of the program, how would you do it? What would you do? How would you run it? And furnish those for this subcommittee. We intend to play a much more major role in the oversight of these programs and to be a partner with USDA in seeing that this works for your benefit, because you are out there on the firing lines.

At this table, there are the folks distributing, there are the folks that are using it on a daily basis, and there are the folks that are producing it. And I repeat, if we do not maintain a cooperative attitude and a partnership between producers and consumers, both are going to lose eventually. And that is the goal that we have.

We thank you very much for taking time, for your testimony and for your participation today. We look forward to working with you.

This being the last panel, we will stand adjourned.

[Whereupon, at 4:30 p.m., the subcommittee was adjourned, to reconvene subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

Testimony of

THE HONORABLE BILL GOODLING

before the

Subcommittee on

Committee on Agriculture

June 9, 1994

Mr. Chairman, Members of the Subcommittee, I am pleased for the opportunity to appear before you today to discuss the provisions in H.R. 8, the Healthy Meals for Healthy Americans Act, which deal with the Commodity Letter of Credit (CLOC) alternative to the current commodity system.

I want, however, to say up front that it is definitely **not** my intention to try to replace the current commodity distribution program. I understand the importance of this program to the agriculture community. As many of you are aware, I was reared on a farm and have a great deal of respect for our nation's farm community. In addition, I represent a district which depends heavily on agriculture. Finally, I am proud of the fact that my father, who represented the 19th Congressional District before me, served on the Committee on Agriculture for 7 years.

However, as a former principal, teacher, school board president and superintendent of schools, I also know firsthand the importance of proper nutrition to a child's performance in school. As a result, I strongly believe we need to insure there

is a proper balance between our need to remove surplus commodities from the marketplace and our need to provide school children with healthy, nutritious meals which they will eat. Therefore, we need to insure the current commodity system is well-received by schools and that the commodities which are provided to schools are acceptable to participating children.

As you are probably aware, at the present time only 46 percent of "paying children" participate in the National School Lunch Program. To me, this is an indication that the meals currently offered under the National School Lunch Program must be improved so that they appeal to a larger number of children. Part of the improvement in meals must be an improvement in the types of commodities provided to schools. For example, students who have not been exposed to salmon, figs and dates may not eat them no matter how nutritious they are or how they are used by school food service personnel. Children tend to consume what they have been exposed to in their homes and many children have not had experience with some of the commodities offered through the commodity distribution system.

I do recognize that efforts have been made over the past years to improve the current commodity distribution system and to address the problems which were behind the development of the original cash/CLOC pilot. I commend you on your initiatives in this regard. Unfortunately, problems still exist -- problems which have generated additional support for CLOC.

I am here today, however, in a spirit of cooperation. I would like to see the current commodity program improved to the point where we do not need the cash/CLOC alternative and I am willing to work with you towards such an end.

In the meantime, however, I would like to acquire your support for the cash/CLOC provisions contained in H.R. 8.

First, and foremost, there is the provision making the current cash/CLOC sites permanent. As you will recall, Cash/CLOC was developed at a time when there was a great deal of dissatisfaction with the commodity distribution system. Some of the major problems included: high storage and transportation costs, receipt of commodities which were in poor condition and did not fit into the menu or meet the tastes of students, and commodities received were in a form which required a lot of processing.

Under the Commodity Letter of Credit alternative, school districts are provided with commodity letters of credit which they use to buy foods that contain specific types of commodities which the USDA distributes under the regular commodity distribution program. In other words, those school districts participating in CLOC purchase locally and in the form they prefer, the same commodities which the USDA is providing to schools through the Commodity Distribution program. Under the cash option, school districts receive cash in lieu of commodities.

Participants in the cash/CLOC program have the option of dropping out of these alternative projects at any time. However, none of the sites is currently interested in returning to the current system until such time as their original concerns have been addressed. They are not set up to participate in the current system and do not have the storage space to accommodate the commodities they would receive. Yet, every two to four years, they face the uncertainty of what the next year will bring and the problem of incurring costs related to returning to the current commodity distribution system.

Mr. Chairman, according to participants in the cash/CLOC option, the benefits of the program which are behind their desire to continue to use these alternatives, include:

1) the removal of thousands of pounds of meat, vegetables and fruits from the marketplace at their convenience without any additional cost to the taxpayer;

2) a variety of menus, including those low in fat content, can be planned without the interruption of unexpected commodity deliveries;

3) the conversion of administrative cost savings to additional menu options;

4) the ability to purchase commodities in a form most preferable to children -- including the ability to purchase commodities which reflect the regional, cultural and religious food preferences of students -- that cuts down on plate waste;

5) the increased ability to cut fat from the menu and serve fresh fruits and vegetables;

6) decreased reliance on canned fruits and vegetables;

7) more efficient operation of school kitchens due to elimination of the necessity of dealing with commodity deliveries and the time necessary to transport them from school to school;

8) the ability to serve a more diverse menu to students because they are not trying to use up allotments of commodities received under the regular commodity distribution system;

9) the ability to support locally owned-companies and state agriculture;

10) increased student participation;

11) the ability of the district to control the type of products they buy and delivery times during the year;

12) reduced need for large dry storage and freezer space;

13) the ability to limit increases in the cost of the school lunch and breakfast programs; and,

14) the ability to receive adequate supplies of commodities to serve all students and to purchase commodities which do not require special processing or are labor intensive.

Perhaps this list can be used as an initial starting point from which we can work together to improve the current commodity distribution program.

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Mr. Chairman, I have actually heard from a large number of school food service directors who are interested in becoming a cash/CLOC site.

At this point, however, I am not seeking an expansion of cash/CLOC sites. Rather, I just want to provide the current cash/CLOC sites with peace of mind and assure them that they may continue to operate alternative programs until such time as they decide to drop out. In the meantime, I would like to work with you to improve the current commodity program to the point where current cash/CLOC sites would be more than willing to return to the current system.

I am also interested in allowing all schools to use CLOC to increase the number of fresh fruits and vegetables in the school meal program and have included such a provision in H.R. 8.

Part of our effort to improve the nutritional content of the School Lunch and Breakfast Program will be to support the Department of Agriculture's efforts to increase fresh fruits and vegetables served to children participating in the School Lunch Program. During hearings held by USDA prior to the development of their new nutrition objectives for schools, they heard from witnesses who requested an increase in fresh fruits and vegetables in the school meal programs and requested increased purchasing flexibility for local school food service authorities. In my view, the Commodity Letter of Credit (CLOC) will provide us with the best possible mechanism to accomplish this goal until USDA is able to do so through the current system and in a manner

acceptable to schools. Through the CLOC program, schools will be able to purchase fruits and vegetables locally, thus insuring they are fresh and in quantities most easily utilized by school food service personnel.

I would like at this time, to provide you with a few examples of why we currently need an alternative mechanism to increase fresh fruits and vegetables in school lunch programs:

1. One school district was recently informed that their bonus commodities -- fresh apples, pears and grapefruits -- would arrive at the distributors the week before spring break. This would not have happened had the school purchased these commodities with a CLOC. The prospect of spoilage was great under these circumstances.

2. A school in California received fresh oranges, of which more than 50 percent had to be discarded due to molding.

3. A school district in Pennsylvania received cases of fresh pears (40 lbs per case) and found that there was not one usable whole fruit in the case. This same school also received potatoes which were unusable but for which they had to pay a delivery fee and then dispose of them -- and still had them charged against their allocation.

4. A school district in Nevada shared with me their experience with fresh tomatoes under the current commodity system. In summary, to use the amount of tomatoes this particular district was allocated would have required them to serve one-half cup of fresh tomatoes to every child every day for

a two-week period. Since this was not acceptable and they could not accept part of what was offered, they decided not to accept the product at all.

5. A school district in Pennsylvania received a shipment of apples in 1994 which had no taste and most of which were discarded by students. If we want to improve the nutrition quality of school meals, we have to serve items students will eat.

These are but a few of the examples I have received from school districts with respect to problems with the current commodity system and the distribution of fresh fruits and vegetables.

I would like to point out, however, that the legislation is optional and schools do not have to participate. In addition, the provision in H.R. 8 only allows schools to use 10 percent of the 14 cents per meal in entitlement commodities to purchase fresh fruits and vegetables. Since approximately 20 percent of the 14 cents per meal is in the form of fruits and vegetables, this would only permit schools to use one-half of the normal amount for fresh, allowing for the receipt of additional fruits and vegetables in canned or frozen form.

Also, it would not be my intention that schools use a fresh fruit and vegetable CLOC to replace funds they are already spending on such commodities. Rather, the goal of the provision is to **increase** the amount of fresh fruits and vegetables in the

school lunch program. This option would also be administered through the current state commodity distribution system.

Finally, Mr. Chairman, H.R. 8 provides for a one-state CLOC demonstration to answer for once and for all the question of whether or not CLOC can effectively remove commodities from the marketplace at a rate comparable to the current commodity distribution system. For years, we have heard the criticism that the current project is not large enough to provide us with definitive information as to the effectiveness of CLOC. Yet, there has been opposition to expanding the current demonstration project to include additional sites. This provision of H.R. 8 would only take effect if a state was able to obtain approval of 80 percent of local school food service authorities to undertake the demonstration project. It would be operated by the commodity distribution entity within the state and would only be in effect for the authorization period of H.R. 8.

Mr. Chairman, I understand the Department of Agriculture is opposed to any provisions dealing with the inclusion of cash/CLOC in H.R. 8. However, one of their arguments, that their purchasing power is greater, may not be legitimate in some instances. I have heard from school districts in some parts of the United States that while USDA may purchase commodities at lower prices, they end up costing more once they have been processed into usable form -- and often have higher fat content than commodities purchased directly from vendors. Examples provided by the Michigan School Food Service Association include

breaded chicken nuggets, which were found to be 8 grams higher in fat content when purchased through the commodity warehouse than through a vendor. In addition, the Michigan School Food Service Association has found that breakfast egg biscuits and fruit pies cost more when purchased through the commodity warehouse than through a vendor. Breakfast egg biscuits cost 33 cents each when purchased through the warehouse and 23 cents each when purchased from a vendor. Fruit pies cost 19 cents each when purchased through a warehouse and 16 cents when purchased through a vendor. From Pennsylvania, I received the following examples. The end cost of chicken nuggets using USDA commodities was $1.83 per pound, while the cost from a vendor was $1.68 per pound. The cost of turkey roll using USDA commodities was $1.42 per pound, while the cost from a vendor was $1.37. The cost of wafer steak using USDA commodities was $2.05 per pound, while the cost from a vendor was $1.62 and, finally, the cost of hamburger patties was $1.90 per pound while the cost from a vendor was $1.40. In times when schools are closely watching their budgets, this certainly is another area which must be addressed in any commodity reform proposal.

Mr. Chairman, I understand that Barry Shutt from the Pennsylvania Department of Agriculture, Bureau of Donated Food, is going to testify later concerning their views on the CSFP provisions in H.R. 8. I would like to point out that in the audience we have representatives from the Pennsylvania School Food Service Association. Their views may differ somewhat from

Mr. Shutt's and you may want to ask them how they feel about the current commodity distribution system so you have a clear picture of how both the beneficiaries of the system feel about its effectiveness.

As I indicated earlier, I want the system to help both school children and the agriculture community. However, as you can see there are problems which have the effect of turning recipients away from the current commodity distribution program. When this happens, we all lose.

The CLOC amendments contained in H.R. 8 will help address these problems in the short term and I assure you I will work with you over the next few years to improve the current system so that each and every school participating in the national school lunch system is more than willing to participate.

I thank you again for allowing me to testify before your Committee and look forward to working with you in the future.

TESTIMONY OF ELLEN HAAS
ASSISTANT SECRETARY
FOOD AND CONSUMER SERVICES
U.S. DEPARTMENT OF AGRICULTURE
BEFORE THE SUBCOMMITTEE ON DEPARTMENT OPERATIONS
AND NUTRITION
COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES
JUNE 9, 1994

I am delighted today to be here to discuss USDA's vision for the future of the nation's school meal programs and how the commodity programs play an important role in advancing our goals for healthy school meals.

This week, the Department announced a comprehensive, integrated four-point framework for action to fundamentally update and continuously improve school meals. Central to this initiative is maintaining the integrity of the commodity program, while making needed improvements.

Our School Meals Initiative has one simple goal: healthier children.

President Harry S. Truman established the National School Lunch Program in 1946 in response to the young men who wanted to be soldiers during World War II, but suffered from malnutrition. The program was defined then as "a measure of national security, to safeguard the health and well-being of the Nation's children and to encourage the domestic consumption of nutritious agriculutural commodities."

The mandate has not changed, but the science of nutrition has.

And our programs have not kept up.

With our School Meals Initiative for Healthy Children, we are updating the nutrition standards in our school meal programs to meet health objectives. Our four-point plan includes regulatory changes and departmental actions:

1. EATING FOR HEALTH: Nutrition standards will be updated to include the Dietary Guidelines for Americans by the 1998 school year,

2. MAKING FOOD CHOICES: We will introduce new ways to appeal to children's taste and promote their health, through nutrition education, training and technical assistance,

3. MAXIMIZING RESOURCES: By marshalling available resources and strengthening partnerships with state and local cooperators, USDA will improve the nutritional profile of commodities,

4. MANAGING FOR THE FUTURE: We will reduce paperwork burdens by using technology, streamlining administrative procedures, and emphasizing flexibility.

Mr. Chairman, updating the nutrition standards for school meals is our national health responsibility. Moreover, our proposed changes to the National School Lunch and School Breakfast Programs reinforce President Clinton's priorities for health care reform and government reinvention.

In the National School Lunch Program (NSLP), federally donated commodities obtained through the operation of the price support provisions of title II of the Agricultural Act of 1949 (the 1949 Act) and through the surplus removal provision of section 32 of the Act of August 24, 1935 (section 3 and section 6(a)) of the National School Lunch Act (NSLA) represent almost 20 percent of the food purchased. The meal served to more than 25 million students in more than 92,000 schools each day is the result of a cooperative effort between the farmer/producer, USDA, and school food authorities.

As we change our school meals to promote the health of children, the integrity and continued improvement of our commodity programs is central to achieving our goals. The Department, therefore, feels that the reauthorization or expansion of cash in lieu of commodity demonstration (CLOC) demonstration project is unnecessary.

Through our School Meals Initiative for Healthy Children, we are taking several important steps to improve the commodities obtained through the commodity purchases.

Working together, Food and Nutrition Service (FNS), Agriculture Marketing Service (AMS), and Agriculture Stabilization and Conservation Service (ASCS) are part of a recently formed USDA Commodity Improvement Council. The Council will promote the health of school children by improving the nutritional profile of USDA commodity offerings, while maintaining the Department's mandated support of domestic agricultural commodities and producers under the 1949 Act and Section 32. The Council will enhance coordination among the three agencies within USDA responsible for obtaining and using these commodities. The Department is committed to a systematic, comprehensive review of current commodity product specifications.

By encouraging regional and seasonal purchases, we will promote local agriculture production, and forge new links with local farmers.

And I am especially pleased to say that, as part of our new initiative, USDA will provide nutrition labeling on food including our commodity products and institutional packages, that go to schools. This information will provide needed information for food service professionals as they plan more healthful menus.

Beyond those specifics proposed in our School Meals Initiative for Healthy Children, the Department has already taken steps to improve the nutritional profile of selected commodities offered to schools.

We are particularly proud of the reductions we are achieving in fat and sodium. For example, bulk ground beef is currently available with an average fat content of 19 percent -- as compared with the commercially available product which averages around 30 percent fat. Ground beef patties with a fat content of 10 percent are also being offered to schools. For example, the variety of poultry products has been expanded and now includes frozen ground turkey, turkey sausage, and turkey burgers with an average fat content of 11 percent, and low-fat, low-skin all-meat chicken nuggets and chicken patties.

And as this committee knows, Mr. Chairman, last year the Department doubled the amount of fresh fruits and vegetables offered to schools along with increasing the variety available.

Currently, the Department is testing low-fat mozzarella cheese with a 7 and 10 percent fat content as compared with a 20 and 25 percent fat in regular mozzarella. Reduced-fat cheddar cheese with a fat content 40 percent lower than regular cheddar is being tested in Indiana schools. Reduced-fat salad dressing has also been tested, and preliminary results are being analyzed.

Using the Department's purchasing power, we believe that we can encourage the market to develop new products that will provide healthier food to schools. New products can be available sooner, and potentially at lower cost to consumers, because of the Department's buying power.

Mr. Chairman, in your invitation to me you asked about our views on the Commodity Letter of Credit provisions of H.R. 8. These provisions extend and may greatly expand the Commodity Letter of Credit Pilot Program.

As I said earlier, I firmly believe that because of the many improvements that we have made -- and are continuing to make -- in the commodities made available to schools under section 32 and the 1949 Act, there is no reason to extend CLOC/Cash. Indeed, it is important that we preserve the integrity of these programs.

The CLOC pilot program began in response to complaints in the 1970's that the commodity system was not keeping pace with the needs of the school lunch program. CLOC funds were diverted from the funds available under section 32 and the NSLA.

One of the primary goals of the 1949 Act and section 32 commodity programs is to support the price of U.S. agriculture commodities by means of price support operations and removal of surplus commodities. The positive market effect of these commodity programs is most important to retain. The original CLOC evaluation demonstrated that the food value of the commodities offered by the Department was worth two to three percent more than food purchased locally with CLOC funds, in part because schools purchased more highly processed items with their CLOC vouchers.

The market impact of agricultural price support and surplus removal programs is likely to be more pronounced where the quantity of product removed from the market represents a substantial portion of the total market for that commodity.

Also, very important to the Department is the domestic origin of food purchases, a central guiding principle of these commodity purchase programs. When USDA supports the price of U.S. agricultural commodities under its price support and surplus removal operations, it acquires commodities directly from American producers and processors and can ensure that the end product is a domestic agricultural product. Both GAO and USDA found that there is no such assurance that end products are domestic in the CLOC program.

The Department has run the CLOC Pilot programs for nearly 14 years in 25 of the nearly 20,000 school districts in the United States. During that time it has conducted two evaluations of the system, and the pilot projects have been extended 6 times through legislative action. The Department has spent over $8 million to administer and evaluate the projects in that time.

H.R. 8, the Healthy Meals for Healthy Americans Act of 1994, which was recently reported by the House Committee on Education and Labor, provides for permanent authorization of the CLOC pilot/demonstration projects. The Department sees no additional information being gained from the current pilot systems, and believes that extending them

will continue the administrative costs borne by USDA to administer the projects without any additional benefit to our agriculture producers or school partners.

Secondly, H.R. 8, as reported, would add a statewide demonstration project in a State where at least 80 percent of the School Food Authorities agree to participate. A statewide demonstration has not been attempted previously, but implications for state administration have been addressed in previous studies. It is unlikely that a one-state study would be effective at yielding results that could be extrapolated for nationwide policy recommendations. In addition, start-up and implementation costs would be considerable, and funding for these costs are not specifically authorized by the bill.

Finally, H.R. 8 allows all schools to use CLOC for 10 percent of their entitlement commodities for the purchase of fresh produce. This provision would allow for a nationwide optional CLOC system that would be a substantial disruption to the current administration of the commodity programs, and it is not clear that the provision would accomplish its goal of assisting schools to increase the offerings of fresh produce in their meal programs.

The amount of funds proposed to be set aside for new CLOC's amounts to about 2 percent of total food acquisitions. The most recent data on this topic indicates that fresh produce acquisitions amount to about 4 percent of all food served. If school food authorities are given such a letter of credit at the beginning of the school year to purchase any fresh

fruits and/or vegetables, the letters of credit would likely displace local funds used to purchase fresh foods rather than increasing fresh offerings.

The paperwork to administer such a system would be substantial. At the same time a nationwide optional CLOC system would produce substantial disruption and administrative complications and paperwork. Dual systems of administration would be needed, but it would not be possible to determine with any certainty how much food the Department should buy, and how much would be purchased through CLOCs.

In short, I believe that, through all of our efforts, the Department is better-suited than school systems to align the twin objectives of promoting nutrition and market stabilization.

In closing, Mr. Chairman, let me say that we face a historic challenge to improve our school meals program, and we are responding to that challenge with our School Meals Initiative for Healthy Children. As we make these changes, we must also take our commodity programs into the next century. By preserving the viability of our commodity programs, we have the opportunity to promote the health of children, and simultaneously benefit the American farmer. Under Secretary Espy's leadership, we are committed to doing both.

I will be pleased to answer any questions you or members of the Subcommittee might have.

Testimony of the
American School Food Service Association
before the
Committee on Agriculture
U.S. House of Representatives
June 9, 1994

Mr. Chairman, Members of the Committee, I am delighted to represent the American School Food Service Association here today. I am Marilyn Hurt, supervisor of school nutrition programs for LaCrosse, Wisc. and chair of ASFSA's Public Policy and Legislative Committee.

The Commodity Distribution Program has been a part of the school lunch program since the beginning. Indeed, USDA was distributing commodities to school food programs prior to the enactment of the National School Lunch Act in 1946.

On March 8, 1980 Congressman Bill Ford and Congressman Bill Goodling introduced H.R. 6841 to provide for the issuance of commodity letters of credit (CLOC) in lieu of the purchase and distribution of USDA commodities. This was the first "CLOC" legislation and it was referred jointly to the Committees on Education and Labor and Agriculture. The Committee on Education and Labor rejected H.R. 6841 on a tie vote. Out of deference to that vote, however, later that same year, on December 2, 1980 the Congress appropriated $1.975 million to conduct a three year pilot project in 60 school districts to test all cash assistance and the commodity letter of credit program.

The USDA CLOC pilot program continues today as a result of several congressional extensions in the pilot program. Throughout this entire period of time the American School Food Service Association continued to support, and supports today, the USDA Commodity Distribution Program.

Approximately 20 percent of the federal support for the National School Lunch Program is in the form of USDA commodities. The commodities are an important contribution to the economic well being of local school lunch and breakfast programs throughout the country. In addition to the 14 cents per meal in entitlement commodities we receive bonus commodities, when they are available. During the mid 1980's, when our program suffered drastic budget cuts, we relied heavily on ample bonus commodities to reduce our food costs and provide economic stability to our programs.

In addition to the economic support provided by the Commodity Distribution Program, commodities have been a part of the historical roots of the school lunch program, one of the stated purposes of the program, and a part of the political base of the school lunch program. Section 2 of the National School Lunch Act, the declaration of policy section, provides that "it is the policy of Congress, as a measure of national security, to safeguard the health and well being of the nation's children and to encourage the domestic consumption of nutritious agriculture commodities ---" (emphasis added). It is interesting to note that in the 48 year history of the National School Lunch Act, the statute has been amended numerous times. Section 2, however, has never been amended and the stated policy of the school lunch program remains today as it was enacted on June 4, 1946.

Some might argue that from an agricultural perspective, the importance of the school lunch program is greater today than it was in earlier years. As you know, a number of agricultural organizations wrote to President Clinton on March 14, 1994 urging his support for an increase in commodity purchases for domestic distribution. Their thesis was that under GATT, domestic agriculture price supports will be lowered. However, GATT allows the United States (and all other parties to the treaty) to continue to support domestic agriculture through the purchase and distribution of domestically produced commodities.

One of the specific CLOC provisions in H.R. 8, a new idea, would be to allow schools to use 10 percent of their commodity entitlement for CLOCs for fresh fruits and vegetables. ASFSA is committed to the *Dietary Guidelines for Americans* and has endorsed all three versions, including the one released in 1990, which for the first time applied to children.

We are concerned however, about this provision because it tells us *how* to achieve the goal of meeting the dietary guidelines rather than focus on the goal itself. This provision could bring more paperwork to a program that has too much already. The administrative costs for this very small provision would not be a wise use of our limited resources.

Indeed, one of our major concerns with CLOC is the administrative complexity. Currently, the CLOC pilot programs are administered by Virginia Polytechnic Institute, which has been able to provide all of the pilots with significant personal attention. That kind of hands-on assistance would not be available if there were thousands of CLOCs, circulating around the country for different products and with different delivery times. There is a potential that this could create additional administrative costs.

One of the major goals of H.R.8 is to lower the administrative burdens and costs suffered by the school lunch and breakfast programs. The Education and Labor Committee included many strong provisions to reduce paperwork and increase flexibility in H.R. 8. We fear that the fruit and vegetable CLOC provision would go in the opposite direction.

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It is equally very important to point out that those schools which have experimented with the CLOC pilot have, by and large, been satisfied with the program. Indeed, some CLOC sites are more than satisfied. They believe that CLOC is far superior to the commodity program. Under CLOC, commodities do not have to be stored and schools don't have to worry about whether USDA will deliver the commodities on time. We also appreciate and respect the fact that the Members of the House Education and Labor Committee, who are strong and committed allies of the School Lunch and Breakfast Programs, feel that CLOC would work better from a local school perspective.

In many ways, Mr. Chairman, the CLOC issue represents a conflict between two important, yet different, policy objectives. ASFSA will almost always support giving local school food service administrators greater flexibility and more options so that we might decide for ourselves how best to run our local programs.

In the area of CLOC and commodities, however, the goal of local flexibility comes up against the national policy objective of helping domestic agriculture. If the Congress were to terminate the Commodity Distribution Program in favor of either cash or CLOC it would be a fair question to ask whether the school lunch and breakfast programs should remain at the Department of Agriculture. It is not my intention to answer that question today, but rather to recognize the larger policy implications of terminating the Commodity Distribution Program.

Further, if we are going to sever our link with agriculture, we should also ask whether or not we should move beyond CLOC and go straight to cash. Since 1981 when the CLOC pilots started, we have seen federal support for the school lunch programs slashed and the regulatory burden increased. If Congress were to decide that the school lunch program was no longer important as an

agricultural program, then perhaps we should not impose the administrative burden of running the CLOC program, and should just give school districts cash.

Mr. Chairman, we have been talking about CLOC and cash and commodity reform for more than a decade. We actively supported the Commodity Distribution Reform Act of 1987, which improved the commodity program. The commodity program is far superior today to what it was in the 80s.

Our Association supports the national policy objective of helping domestic agriculture and believes we can work with Congress and USDA to continue to improve the commodity program in ways that will benefit both agriculture and the nation's children.

I appreciate the opportunity to be here with you this afternoon. I will be delighted to answer any questions that you may have.

Testimony of the
American Commodity Distribution Association
before the
House Committee on Agriculture
Subcommittee on Department Operations and Nutrition
June 9, 1994

Good afternoon, Mr. Chairman, my name is Catherine Miller, and I am President of the American Commodity Distribution Association (ADCA). I am also Chief of the New York Bureau of Government Donated Foods, which distributes federally donated commodities through eight of the Department of Agriculture's food programs. I appreciate the opportunity to testify before the Committee on the Commodity Letter of Credit (CLOC) provisions of H.R. 8, the Child Nutrition Reauthorization bill.

The American Commodity Distribution Association is a non-profit professional association whose members include state and territory commodity distribution agencies, agricultural organizations, food processors, warehouses, food banks, commercial distributors and transportation companies, recipient agencies, and individuals. We work closely with our members, the Department of Agriculture, allied organizations, and various hunger relief and advocacy groups to improve the Commodity Distribution Program and consistently meet the changing needs of its recipients.

Mr. Chairman, ACDA's position on the CLOC program is simple -- we oppose any extension or expansion of the CLOC program, and we oppose the CLOC provisions included in H.R. 8. It is our opinion that the current pilot projects should return to the Commodity Distribution Program when the authority for these pilots expires later this year.

The CLOC provisions of H.R. 8 would permanently reauthorize the existing cash and CLOC pilot projects, establish one state-wide CLOC pilot if requested by eighty percent of the schools, and allow schools to receive ten percent of their commodity entitlement as a CLOC for fresh fruits and vegetables. Our opposition to these provisions does not mean that we do not support the goal of increasing the use of fruits and vegetables in the School Lunch Program. On the contrary, we support that goal. We simply believe that a specialized CLOC for fresh fruits and vegetables is neither the most effective nor the most efficient means of achieving this goal.

The CLOC pilots characterize what we hear all too often about government programs, especially agriculture programs: that a pilot program is nearly impossible to eliminate after it is initiated. As you know, the CLOC pilot projects were first commissioned by the Fiscal Year 1981 Agriculture Appropriations bill, and have been extended several times. The authority to operate these pilots will

expire this year unless it is extended again. We believe it is time for the sun to set on these pilots.

The Commodity Distribution Program is better suited to meet the needs of schools and American agriculture than the CLOC program. The Commodity Distribution was established in 1935 to serve a dual purpose: to provide nutritional assistance to children and help provide market stability for the purchased commodities. Because of this dual role, the Commodity Distribution Program has the unique ability to spend and reap a benefit from the same dollar twice. Once when it purchases commodities, and a second time when these commodities are donated to schools and other outlets.

Last month, ACDA and sixteen other agricultural groups wrote to Secretary Espy outlining our concerns about the fate of the CLOC program. This letter outlined the basis of ACDA's opposition to the CLOC program, which is very similar to USDA's rationale for opposing this program.

We are pleased that Secretary Espy has taken a position opposing the CLOC pilots as did his predecessor, Secretary Madigan. The Department's official opposition to the CLOC pilots was included in its analysis of H.R. 8, which was sent to the House Education and Labor Committee on May 16.

I would like to summarize briefly our reasons for opposing the CLOC program and the CLOC provisions of H.R. 8:

1. The Commodity Distribution Program purchases products at the lowest possible price and in such large quantities that it provides economies of scale the CLOC program simply cannot offer. Coupled with the Department's massive buying power, these purchases guarantee that federal money is spent as economically as possible. CLOC purchases, being at the consumer end of the market, are more costly, and cannot possibly match USDA's buying power, even when made by large school districts.

2. The Department's purchases have a significant stabilizing effect on the agricultural market. Any expansion of the CLOC program would hinder not only the Department's ability to provide nutritious products to the child nutrition programs, but also its ability to stabilize agricultural markets.

Further, the Commodity Distribution Program will be of even more importance to American agriculture after implementing legislation for the General Agreement on Tariffs and Trade (GATT) is passed. GATT would restrict the Department's ability to support American agriculture and protect the market from unavoidable price fluctuations. However, GATT specifically exempts "Green Box" programs from being defined as trade barriers. "Green Box" programs include several domestic food assistance programs served by the Commodity Distribution Program, such as The Emergency Food

Assistance Program (TEFAP). Indeed, funding levels for these programs should be reviewed and possibly increased if Congress wants to maintain the Department's ability to stabilize markets in a manner that is acceptable under GATT.

3. Rural areas and small schools districts would be at an economic disadvantage by using CLOC. The Commodity Distribution Program provides products and services at equal costs to school districts regardless of size and location. Small rural school districts in every state receive products at the same value as the larger cities in the state. Under CLOC, larger cities would benefit from lower transportation costs and leveraged buying power, while the smaller districts would be forced to pay much more for comparable services.

Despite its reputation as an urban state, New York has many rural areas, and some are so small and remote that schools have difficulty identifying vendors to serve them. Providing such districts with a CLOC would be of no benefit, and would only serve to increase their frustration.

4. The CLOC program is an additional administrative expense for the School Lunch Program. The current CLOC pilots rely on a duplicitous administrative structure that diminishes the funds of the School Lunch Program as a whole. The Department estimates that expanding the CLOC program would incur additional costs. If a state wide CLOC is created, as proposed by H.R. 8, the Department estimates the program would cost up to $2 million to operate. This expense would be an unnecessary drain on the Department's resources, and is money that could be better spent elsewhere. As we continually try to reduce costly administrative burdens, this is a step in the wrong direction.

5. The School Lunch Program is the backbone of the Commodity Distribution Program. If the CLOC program is expanded and more schools use a CLOC option, the infrastructure provided by the Commodity Distribution Program would be weakened significantly. If this does happen, we need to ask ourselves: What will happen to the smaller programs served by the Commodity Distribution Program? TEFAP, the Soup Kitchens and Food Banks program, the Food Distribution Program for Indian Reservations, and the Department's disaster assistance efforts would be weakened by the expansion of the CLOC program. Disaster assistance is a perfect example. As we have learned in recent years, commodities in storage at recipient agencies or in warehouses for schools are often the first response to natural disasters.

6. The Commodity Distribution Program can guarantee that the purchased commodities are domestically produced, but the CLOC program cannot make a similar guarantee. Although CLOC purchases are required to follow the same domestic content policy, attempts to assure domestic content are burdensome, costly, and uncertain.

In a time when we are attempting to reduce the paperwork burden on schools, the CLOC program would simply provide another avenue for reviews, verifications, and undue emphasis on the administrative aspects of the program to the detriment of the real focus, feeding hungry children.

Program Improvements

In 1987, Congress passed the "Commodity Distribution Reform Act and WIC Amendments of 1987", Public Law 100-237. This law brought about monumental improvements in the program, both by USDA and by state distributing agents, like myself. One significant improvement was in the area of quality. Commodities purchased by USDA have shown significant improvement in recent years in terms of their nutritional qualities. Fat, sodium and sugar are routinely reviewed, and our schools find that USDA commodities form the basis for sound, nutritional meals for children. Many schools have told me that it is not possible for them to purchase the same quality that the Department provides, and their costs would be higher even when purchasing products of lesser quality. Today, foods purchased by USDA are universally recognized as being the best money can buy. Not only has the nutritional profile and variety of products improved, but new packaging better meets the needs of recipients and the delivery system has become more timely and responsive.

Another major improvement was the creation of a National Advisory Council on Commodity Distribution. The Advisory Council brought together representatives of all groups served by the program to continuously identify additional areas where services can be improved. As a result of the Advisory Committee's initiatives, recipients, especially school districts, are more than satisfied with the operation of the current program.

Summary

Mr. Chairman, ACDA believes that the Commodity Distribution Program is the most economical system for providing schools with the nutritious products they need. In recent years, the cooperative effort between the Department and the agricultural community has improved the distribution program and its products to better meet the demands of recipients. These changes have helped and will continue to help the program meet its traditional goals of providing nutritional assistance to schools and support of American agriculture -- two goals the CLOC program can never hope to realize.

The Commodity Distribution Program still works, and there is no question it will continue to evolve and improve its services, even with the implementation of the Dietary Guidlines that were announced yesterday. The Dietary Guidelines are an important part of the Department's mission, and ACDA, ASFSA, and many other groups support these Guidelines. Some would argue that the Commodity

Distribution Program is incapable of meeting these goals, but that simply is not true. The Commodity Distribution Program has proven that it is capable of changing to meet the evolving needs of its recipients, and is well suited to deliver products that adhere to the dietary guidlines. The Commodity Distribution Program can and will meet any challenge that the implementation of these guidelines present.

Thank you again for the opportunity to testify. I would be happy to answer any questions you may have.

STATEMENT
OF
PAT HOLSTEIN
FOR THE
COMMITTEE ON AGRICULTURE
UNITED STATES HOUSE OF REPRESENTATIVES
ON CLOC
AN ALTERNATIVE TO COMMODITIES
JUNE 9, 1994

Mr. Chairman, Members of the Committee, my name is Pat Holstein and for the past 15 years I have been Food Service Director of Lexington School District 3 in Batesburg-Leesville, SC. Batesburg-Leesville is located near the center of the state about 35 miles south of Columbia, the state capital. This is a rural area and as far as agriculture goes, the main money crop is peaches. Lexington District 3 is a small school district with only 2400 students and 4 schools. An average of 1850 students eat lunch each day and 725 eat breakfast. We serve 4 and 5 year old kindergarteners as well as grades 1 - 12.

Fifteen years ago commodities came in without a schedule that I could determine. They simply arrived, and the cafeterias had to find some way to store them. Then the cafeteria manager had to find some way to prepare them so the kids would eat them. Most of these commodities were in a form that was very labor intensive. The thing that really concerned me about commodities was the attitude the cafeteria workers had. They felt they were "free", they were very careless in the use of them, wasted them, and complained constantly about them. They never thought of them as "costing money."

When I was asked by South Carolina's commodity chief, Ramon Aycock, at the time, to take part in the CASH\CLOC Pilot Study, I felt it would be a wonderful challenge and might help the food service program out financially. I knew the cafeteria workers would think of CLOC food as "real" food and be more careful in its use.

I was right on both counts. The CLOC money is sent quarterly, as most of you know. In other words instead of having that 14 cents a meal tied up in storage, the district has up-front money to buy food as USDA does, but in a form useable right then. For instance, instead of whole turkeys, turkey rolls or roasts, the district buys a lot of ground turkey. It's cheap, in a useable form, and low in fat.

Several years ago, I was teaching a Red Cross course called "Better Eating For Better Health" to the cafeteria managers. This course was all about cutting the fat, sugar, and salt in the diet. As a result of this six week class, we began to change our recipes to reflect these "new" ideas. Without saying one thing to the students or teachers, we did a few simple things.

1. Reduced the sugar by 1/3 in foods and began offering more fresh fruits as desserts.
2. Reduced the salt in foods and removed salt shakers from tables.
3. Began using more fresh and frozen vegetables.

When USDA came out with the latest food pyramid and suggested keeping the fat to 30% of the calories in our lunch menus, we were already doing this in our cafeterias.

Approximately 15% of the money spent on food in our cafeterias now is for fresh fruits and vegetables. With the CLOCs received we can buy fresh, frozen, or canned foods. The favorite vegetable in our schools is BROCCOLI--cooked or fresh!

Children eat at school what they are used to eating at home, so we try to educate the parents in nutrition as well as the children by publishing menus in the local and State Newspaper. These menus have been analyzed by some software called Nutrikids, which has all the USDA recipes and products and the nutritional data on them. Monthly menus are sent home with each child.

What does all this have to do with CLOC?

1. The food, both CLOC and purchased is bid. The CLOC food gives me more buying power. The food costs for our district have not increased in several years, which keeps our paid lunch price at $1.00 and $1.15 and $.50 for breakfast. To have commodities shipped from the warehouse to a cafeteria costs $1.75 a case or bag. With the food I bid, this is included in the cost. When this $1.75 is added to the cost of the commodity--my price is almost always as cheap or cheaper.

2. Financially, Lexington District 3 Food Service stays in the black. We're able to buy equipment and keep our cafeterias attractive.

3. We are meeting the dietary guidelines.

4. We have a high participation in breakfast and lunch because we can offer foods the kids will eat.

5. Our food inventory is kept at a reasonable level. At the end of the year, we do not have a large food inventory to worry about like we did when we had commodities. Even with all the improvements made in commodities, these commodities still come in at the very end of the school year and have to be stored.

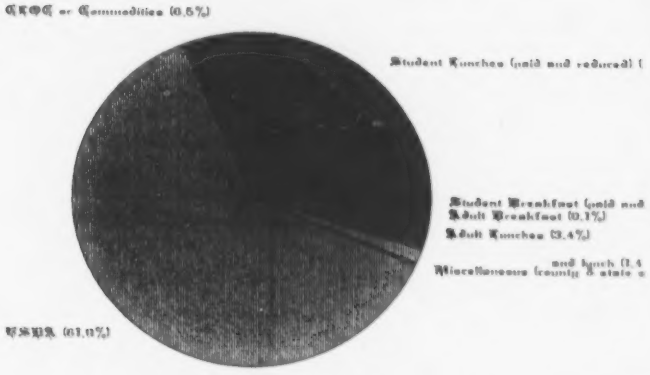
When Hurricane Hugo visited our state a few years ago, we thought our area of the state would be affected. If it had been, there was enough food available in our cafeterias to feed 2000 lunches and 1000 breakfasts a day for 7 days. With commodities there would have been a freezer, cooler and storeroom full of food--but not in a form that could be prepared easily.

Yes, we continue to get bonus commodities, but every year they dwindle. Yes, I understand from other Food Service directors that commodities have improved in the way they are packaged and in acceptability. I think one reason for these improvements is the CASH\CLOC Pilot Program. I realize we've been a thorn in your side at times, but maybe USDA needed that!

If we are capable of buying over 90% of the food for our cafeterias, why not buy 100%? Reproduced below are two charts showing Lexington District 3's expenses and income and the important part that CLOC plays.

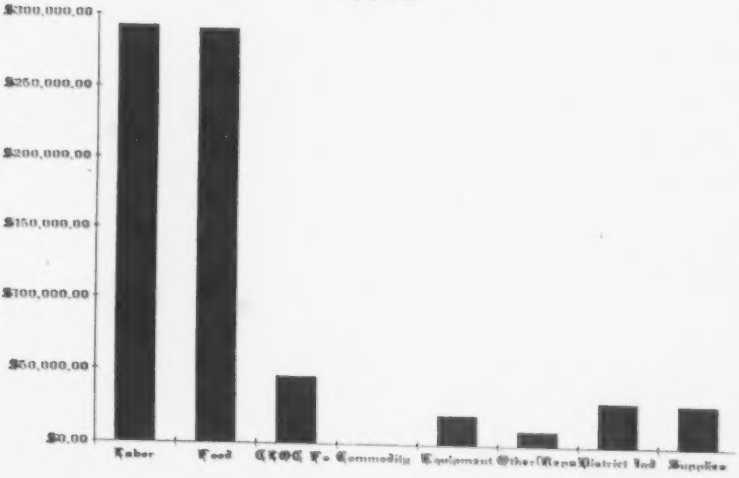
Food Service 93-94

Income



Food Service 93-94

Expenses



It is important to keep the CLOC/Cash option in H.R. 8, even though it is included in H.R. 4221. This pilot program deserves to be permanently authorized. It is an improved program and deserves special consideration. It is a wonderful way for a state to make comparisons on food costs and acceptability of school lunches and breakfasts of CLOC schools as compared to Commodity schools. Listed below are several more reasons for permanent authorizing the CLOC/Cash program.

1. the continuation of the program requires no additional funding.

2. CLOC has been one of the greatest impact on School Food Service programs particularly with increased participation, more flexibility, improved nutritional awareness and provide children with acceptable meals with a minimum waste. The need for food to come in different forms has been tremendous. Our children receive the benefits.

3. The CLOC program must spend their vouchers at the same time the USDA is making their purchases -- this relieves surpluses of specific farm products and meets price support goals. Political ties can be far more reaching when we purchase locally since we affect more farmers and industries than when USDA purchases the food. CLOC program still meets the farm support objectives and worked much better for schools.

4. Since we bid, we had competitive prices on our CLOC purchases and they were delivered at the same time as our groceries without additional expense. We were able to coordinate deliveries with menus, thereby giving us security in planning. This saved on warehousing and storage.

5. In some cases we were able to serve foods purchased with CLOC funds before commodity schools were notified they were going to receive it. This has been prove.

Our concerns, yours and mine, have to be for the good of the program. The study has proven, without a doubt, that CLOC is a viable alternative to the present commodity system. Please allow us the option of CLOC and extend that option nationwide.

We are deeply grateful of your support for Child Nutrition Programs. Please consider the positive effects of the CLOC program. We have tremendous respect for the Agriculture committee and trust you will consider what is best for the National School Lunch Program.

The ease of the CLOC program and adaptability to our needs warrant a hearty stamp of approval.

COMMODITY DISTRIBUTION COALITION

Statement of the

COMMODITY DISTRIBUTION COALITION

Before the

Subcomittee on Department Operations and Nutrition

of the

Committee on Agriculture

U.S. House of Representatives

on the

"Commodity Letter of Credit" provisions of H.R. 8

June 9, 1994

Presented by:

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Mr. Chairman and Members of the Subcommittee:

My name is Richard Pasco, and I am presenting this testimony today on behalf of the "Commodity Distribution Coalition." This coalition is an informal group of agricultural associations that are strongly supportive of the U.S. Department of Agriculture's commodity distribution programs, which serves the dual purposes of providing the best possible nutrition for our nation's school children and of helping stabilize U.S. agricultural commodity markets.

We appreciate this opportunity to testify on the Commodity Letter of Credit (CLOC) provisions contained in H.R. 8, a bill "To amend the Child Nutrition Act of 1966 and the National School Lunch Act." We have great concerns about how the extension or expansion of the CLOC program would affect the future viability of the USDA's commodity distribution programs.

Our coalition, which is representative of the agricultural community, is opposed to the continuation of the CLOC program. When the authority for the pilot sites testing the CLOC program and the cash alternative expire, the sites should be returned to the commodity system. We believe that the CLOC provisions of H.R. 8 threaten the long-term operational effectiveness of the overall commodity distribution system.

Coupled with severe reductions in funding for commodity purchases under The Emergency Food Assistance Program (TEFAP), the continuation or expansion of the CLOC program would signal the beginning of the end for this country's commodity distribution programs. USDA's ability to stabilize agricultural markets through large volume purchases of commodities would be seriously compromised without the assistance of a significant commodity distribution program.

The commodity program will be even more significant now that the Uruguay Round of the GATT is completed. With the successful conclusion of the Uruguay Round, the United States will face both a reduction in tariff receipts and a phase-down of direct price supports. Reductions in import tariff receipts that are used to finance USDA commodity purchases and provide direct funding to schools, will also effect the overall federal government assistance available for our nation's food assistance programs. Any phase-down of price supports and loss of tariffs will also make it more difficult for the U.S. to support agricultural production.

It is also important to note that commodity purchases by the USDA only represent about 20 percent of the food acquired for the School Lunch Program. This leaves considerable flexibility to school districts which can continue to use the vast majority of funds that are remaining for other purposes, including labor costs and purchases of food locally.

Commodity Distribution Program

For nearly 60 years, USDA commodity distribution programs have provided essential foods to numerous constituencies. These programs date back to the enactment of P.L. 74-320, on August 24, 1935. Section 32 of this statute provides that the Secretary of Agriculture may buy fruits, vegetables, meat, fish, and poultry items under a surplus removal program for donation to school food programs and other domestic food programs.

Section 416 of P.L. 83-480, enacted in 1954, gave the Secretary of Agriculture additional authority to distribute to schools commodities obtained through price support activities. Therefore, grains, dairy products, vegetable oils, and peanut products are also available for distribution to schools.

The statutory goal of the Section 32 commodity programs is to support U.S. agriculture when markets are weak. Only 13 percent of Section 32 funds go to directly support agricultural markets through the commodity program. The rest is available as cash for the child nutrition programs.

Today, the central purchasing authority of USDA provides economical commodities for the school lunch and breakfast programs, the soup kitchens and food bank programs, the Food Distribution Program on Indian Reservations, the Commodity Supplemental Food Program, and TEFAP.

The various USDA commodity distribution programs give the Secretary of Agriculture an extremely effective tool that he can use in providing assistance to America's agricultural producers. One of the major goals of our agricultural policy has been to stabilize the "boom or bust" swings in the farm economy. When markets are soft in a given commodity, the Secretary can help boost market prices by purchasing the commodity that is experiencing depressed prices. For many commodities, such as pork, beef, turkey, chicken, eggs, peaches, apples, cherries and many others, the commodity distribution program represents the only significant program available to the Secretary of Agriculture as a market stabilizing mechanism.

USDA commodity programs have not only played a special role in the development of agricultural policy, but have played an important role in the development of this nation's nutrition programs. The commodities provided for the school lunch meals, for example, have played a key role in meeting the recommended nutritional needs of children, while keeping costs down.

In recent years, the USDA and the agricultural community have worked together to improve the distribution program and the nutritional profile of products to meet the demands of recipients. By building on these improvements, the program will be able to meet the changing needs of its recipients and simultaneously support American agriculture.

Commodity Letter of Credit

Originally established in the FY 1981 Appropriations Act for Agriculture, Rural Development and Related Agencies, the CLOC and Cash systems were created in the form of pilot sites, so they could be evaluated as an alternative to the commodity donation system in the National School Lunch Program. The initial demonstration project mandated a three-year study of the CLOC and Cash alternatives.

After a number of reauthorizations by Congress and years of on-going review, it is clear that the commodity program now in place works better than the CLOC/Cash alternative. The more than a decade long study has yielded no compelling evidence sufficient to warrant Congress to again extend and even expand the number of CLOC sites. Congressional termination of the CLOC program is long overdue.

We strongly support the USDA's position opposing all provisions in H.R. 8 that make permanent the existing pilot projects that operate Cash in Lieu of Commodities or CLOC systems or expand the number of CLOC sites. As stated by the USDA, "it is in the best interests of agricultural producers, administrators of commodity distribution systems, and recipients of the USDA's domestic commodity programs to retain the traditional commodity programs."

Commodity Letters of Credit, or even cash given directly to schools, by themselves, cannot match the buying power of a single federal department (i.e. the USDA) in making large volume purchases of commodities. CLOC purchases are made at the consumer end of the food pipeline and purchases by the USDA are made at or near the producer end.

In addition, USDA's commodity program assures the domestic origin of foods purchased, which is clearly a critical feature of the program. This assurance is not possible when products are purchased at the retail level, because current labeling requirements are not specific enough to provide local purchasers with this information.

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We have serious concerns about the long-term implications of Section 110 of H.R. 8. If a whole state can opt out of the commodity distribution program, the Secretary of Agriculture's ability to have a positive impact on the market price of a particular commodity will be reduced over time, as the size of USDA purchases shrink. Moreover, as the volume of commodities purchased is reduced, the effectiveness of the commodity distribution network in providing commodities to food assistance programs outside of the school feeding program is jeopardized.

National School Lunch Program

The National School Lunch Program is one of the greatest beneficiaries of the Commodity Distribution Program, with approximately 25 million school children having access to commodities through this system. Altogether the USDA provides nearly $5 billion in cash and commodities to about 92,000 schools nationwide.

As previously mentioned, the commodities provided for school lunch meals have played a significant role in meeting the recommended nutritional needs of children. We believe that agricultural producers are natural partners with schools in providing nutritious foods for consumption. In that vein, we are dedicated to the continued improvement in the quality and variety of the products we make available for use in schools.

Negotiated Rulemaking

Section103 of H.R. 8 also would require the Department of Agriculture to use the negotiated rulemaking process before publishing any proposed regulations addressing the nutrition requirements of the National School Lunch and Breakfast Programs. We believe USDA has done an excellent job in reaching out to seek comments from individuals and organizations through regional forums that were held around the country.

Members of our coalition, however, have differing positions on the need for negotiated rulemaking provisions of the bill. Some believe that use of the Negotiated Rulemaking Act of 1990 would complement the effort to date, by providing an opportunity for affected organizations to sit down and discuss the specific points of new nutrition regulations, in order to obtain a consensus based proposed rule.

Regardless of the approach to rulemaking, we all commend USDA for undertaking the important initiative to reexamine the nutrition requirements of the school nutrition programs in light of recent scientific advances in this area.

The Emergency Food Assistance Program

Although not relevant to H.R. 8, we also want the Committee to know our concern about budget cuts for The Emergency Food Assistance Program (TEFAP). TEFAP is one of the commodity distribution programs that was originally created to serve the dual purpose of eliminating farm surpluses and providing nutritional assistance to needy Americans. TEFAP continues to meet these goals, and has become an indispensible component in our nation's fight against hunger.

TEFAP is the "last line of defense" for hungry Americans. It is a reliable source of important commodities which enable food banks across the country to increase the nutritious value of food packages and reach out to those who fall between the gaps of other federal food assistance programs. With minimal federal support, TEFAP is able to accomplish an essential service through its public/private partnership and enormous volunteer support.

Not only is TEFAP a crucial part of our nation's hunger efforts -- it also plays a vital role in disaster relief. When natural disasters occur, TEFAP commodities are immediately available for those in need. Food stamps are worthless when grocery stores are destroyed or transportation becomes nearly impossible. The TEFAP network is essential to a quick and coordinated relief response. From Hurricanes Hugo and Andrew, to the Midwest floods, to the San Francisco and Los Angeles earthquakes, TEFAP has provided food to victims of natural disasters that would not have been otherwise available.

We believe a functional TEFAP initiative together with an overall healthy commodity distribution system are vital components in our efforts to maintain a strong and competitive agricultural sector.

Conclusion

We believe that any extension or expansion of the CLOC program is a step in the wrong direction. Therefore, we urge this committee to reject the provisions of H.R. 8 that further expand the number of CLOC sites.

It is time to recognize that the CLOC program has been sufficiently reviewed after a decade of experimentation. We believe the day has come for Congress to put an end to this program. In times of serious budgetary constraints, the federal government can no longer afford the luxury of paying the administrative cost of dual programs that serve the same purpose.

Once and for all, we must choose the commodity program over the CLOC program. There is not sufficient justification for Congress to again extend the CLOC program one more time, and continue to administer overlapping programs.

American Farm Bureau Federation
American Meat Institute
American Sheep Industry Association
California Canning Peach Association
California Cling Peach Advisory Board
Canned Fruit Promotion Service
National Association of State Departments of Agriculture
National Broiler Council
National Cattlemen's Association
National Council of Farmer Cooperatives
National Farmers Union
National Grange
National Milk Producers Federation
National Pork Producers Council
National Turkey Federation
Pacific Coast Canned Pear Service
United Egg Association
United Egg Producers

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Testimony of the
American Association of
Classified School Employees
Before the
House Agriculture Subcommittee on
Department Operations and Nutrition
June 9, 1994

The American Association of Classified School Employees (AACSE) thanks the Committee for the opportunity to submit testimony for the record regarding the Commodity Letters of Credit (CLOC) program. We hope that our perspective on CLOC, and the problems CLOC was meant to address, will be helpful to the Committee.

The AACSE is an independent union which exclusively represents classified school employees. Classified workers are the people who provide the vital services that are essential to the operation of the nation's schools such as bus drivers, maintenance personnel, and teacher aides. Approximately one-third of our 250,000 members are associated with school food services.

We appreciate that the U.S. Department of Agriculture (USDA) has a difficult job and administers numerous large programs which are aimed at agribusiness and farmers, the primary responsibility of the USDA. Participation in the school lunch program understandably seems at times to be an afterthought for the Department.

However, classified employees have a primary responsibility to the welfare of school children and the orderly operations of the nation's schools. We therefore would ask the Congress to examine ways in which the current system is short-changing America's children and to adopt solutions such as H.R. 4221 by Congressman Bill Goodling and Congressman Bill Ford, the leadership of the Education and Labor Committee.

Our experience with the USDA has been mixed. Our affiliates generally like the program (particularly with more stable items than fresh produce such as flour, canned products, dry beans, and butter) but have reported problems in USDA's fresh commodity program, primarily the delivery of barely edible produce delivered in unrealistic quantities.

As the Committee knows, school meals provide some children with the best or only opportunity for nutritious food during a day. The link between solid nutrition and the ability to learn is not seriously disputed, and it is imperative that children receive every advantage we can provide them to perform in school. To reach those children already most at risk from the other effects of poverty, school food service workers need access to appropriate ingredients. Such access would also help us provide healthy, competitive alternatives to junk food for the benefit of the entire school population.

It is in everyone's interest to make the USDA programs that deal with children and nutrition function to the best of their ability. It is with the understanding that USDA has enormous responsibilities mentioned previously that we offer our experiences with the programs that affect us directly.

USDA allotments are often of questionable quality. The current USDA delivery system is inadequate to meet the needs of the nation's children. Having recently emphasized the need for more fruit and vegetables in the diet, especially among the young, USDA continues to defend a system which is unable to further that goal.

Allotments are usually delivered six times per school year. Assuming the goods actually arrive in a usable state, it is unrealistic to believe that fresh produce can be prevented from spoiling for 30-45 days.

Our members, and other food service workers across the country, have reported numerous problems with the condition of USDA foods:

- A school food service professional from Cuter-Orosi Unified, California, reports that a USDA shipment of green beans arrived damaged and contained maggots.

- USDA-provided cheese often stubbornly resists melting. Occasionally, the cheddar cheese is pink.

- Members in Portland, Oregon, refuse USDA pasta outright because it is not of sufficient quality to be cooked and chilled. Another

member in California reports that their spaghetti dissolves into mush when it is boiled.

- Poorly processed produce causes difficulties. Tigard, Oregon, received 75 cases of tomatoes which were not sorted by ripeness. In addition, no information was provided to properly ripen these tomatoes. About 15% of the order, which was huge to begin with, eventually spoiled. A district in California received blueberries which still had stems, causing a scramble to clean the fruit so that it could be used in muffins.

- Several members reported that overripe fruit arrives which, while actually fine inside, appears so shrivelled that children will not eat the produce.

- USDA often sends commodities which are inappropriate for school children. Oregon received cases of canned salmon, not a popular item among grade-schoolers and teenagers, and other districts have received so much figs, almonds, and dates that it took years to use them.

- In addition to the poor quality of many USDA commodities, some items are more expensive than similar items available locally. Lansing, Michigan, School District notes that vendors can beat USDA's price in items such as breakfast egg biscuits, fruit pies, and tortilla chips and match the price on chicken nuggets. In the example from Lansing, USDA's chicken nuggets have almost twice the fat of nuggets provided through vendors.

- Northview Public Schools, of Grand Rapids, Michigan, could only use about 63% of its allocated commodity food dollars this year. Northview's Food Service Director explained that fruit and vegetables "often (arrive) in an unusable state." The Food Service Director for Bay City Public Schools, Bay City, Michigan, noted that this district's actual use of its budgeted entitlement has been steadily declining since 1988 and currently stands at less than half of this year's $131,428 budgeted entitlement.

It is ironic that the very agency pressing for better nutrition for children through fresh produce -- and is willing to spend hundreds of thousands of dollars converting a food graph from a pyramid to a diamond shape -- is wedded to a commodity system that is completely unsuited to accomplishing its own higher goal of improved nutrition through more fresh fruit and vegetables.

The current system needs more flexibility. The current system would benefit from the flexibility provided by CLOC in a number of areas. The involvement of State agencies is unnecessary and counterproductive, and CLOC can help the entire system become more efficient. The following problems have been observed by our members:

- An order of tomatoes was delivered to the Marysville, California School District during Spring Break; no one was there to handle the order.

- In Portland, Oregon, a huge order of tomatoes was received that food service workers could not possibly hope to use before the produce rotted.

- Portland is also receiving a "disproportionate" amount of a single commodity as its offered product: butter. This does not make any sense when trying to reduce the amount of fat in school meals.

- USDA "ships at their convenience," in the words of one member, and it is often difficult to plan meals around unknown foodstuffs arriving at an unknown time.

- Deliveries have been regularly left at curbside. USDA personnel have sometimes failed to notify recipients, resulting in a delivery which arrives when school workers have already gone home. The food is thus left out overnight.

- A member from California told us that the standard shipment size (1,000-1,500 cases) is too large to process in a timely manner.

The current distribution pattern routes commodities through State agencies, adding a useless level of bureaucracy between commodity producers and local users of the goods. Attaching a superfluous middleman to the process adds costs that sap already depleted school budgets. Commodities are generally stockpiled and shipped every four to six weeks to school districts, adding warehousing and transportation costs compared to having the consuming school district purchase food itself. The delivery system increases costs while decreasing freshness and quality of the produce.

In addition, the system has subtle pressures to accept a commodity shipment "as is." A particular district receives no benefit from turning down a shipment; the district is neither credited nor offered a replacement. Under the current system, it makes sense for Tigard, Oregon, to accept all 75 cases of tomatoes and let 15% rot rather than pass along a portion to several of the approximately 180 of Oregon's 200 school districts which received none of the tomatoes. The Tigard district had no idea at the time of acceptance what the product ripeness or overall quality would be. Of course; occasionally a product is too terrible to accept, regardless of the financial impact on the school. Also in Oregon, 102 cases of turkey sausage was refused because of its unappetizing dull red color and taste.

Giving school districts more control over commodity purchases through CLOC would allow an orderly flow of fresh produce into school meals; likely produce savings to partially offset the sometimes higher total costs of buying fresh foodstuffs; and allow States to shift personnel from a redundant function in the commodity delivery system to new jobs.

Current CLOC pilot program users have expressed no interest in returning to the old system. In the best traditions of the marketplace, the strongest endorsement for an expansion of CLOC is the apparent satisfaction of those involved in the pilot. Under any fair reading of the term "pilot," the test of CLOC must be viewed as a success and should be brought to every State in the nation, if not every school district that wants it.

Given USDA's continuing and unbending opposition to CLOC, it seems implausible that USDA will ever consider the pilot successful (even though USDA is charged with performing exactly that analysis). There appears to be nothing but satisfaction with CLOC from those who actually prepare school lunches and, aside from some timely misinformation about H.R. 4421, generally positive views towards that legislation as well.

One group, representing commodities distributors in a large and rural State, claimed that H.R. 4421 would force all commodity recipients to use 10% of their commodity entitlement in the form of a cash CLOC for fresh fruit and vegetables, which this group claimed was impossible because of the State's climate. This group is receiving bad advice, for the legislation is clear that the 10% cash CLOC is an option, not a mandate. Indeed, the whole point of CLOC is more flexibility, not less.

CLOC is clearly a success. We are confident that the vast majority of CLOC pilot districts are satisfied with the program, and we believe it is more than time to expand this valuable program through H.R. 4421 and other means.

CLOC begins to address these problems. All CLOC supporters ask is the ability to buy what is needed when it is needed.

These chronic problems with quality and delivery lead us to believe that CLOC would be a welcome addition to the tools available for school food service workers to obtain fresh ingredients in a timely fashion. Local control improves the freshness of ingredients and the nutritional value of the meals provided to the children. Inappropriate items such as canned salmon and figs would not be used. Huge orders would not be routed to a few districts to rot. Delivery and planning menus could be managed more efficiently through controlled and reasonable purchases of commodities.

We thank the Committee for its consideration and ask it to please expand the CLOC program for the good of America's school children.

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Testimony

on behalf of the

NATIONAL CATTLEMEN'S ASSOCIATION

in regard to

Commodity Letter of Credit Provisions of H.R. 8

submitted to

Subcommittee on Department Operations and Nutrition
of the
Committee on Agriculture
U.S. House of Representatives

submitted by

Elizabeth K. Johnson, M.S., R.D.
Manager, Food Policy
National Cattlemen's Association

June 9, 1994

The National Cattlemen's Association is the national spokesman for all segments of the beef cattle industry -- including cattle breeders, producers, and feeders. The NCA represents approximately 230,000 cattlemen. Membership includes individual members as well as 46 affiliated state cattle associations and 29 national breed association.

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The Commodity Distribution Program is a tremendous benefit to USDA's food assistance programs as well as American agriculture. A situation is occurring right now in the beef industry that exemplifies these benefits. Beef tonnage is at a high level and will remain so throughout the summer. Beef production is the largest since 1986, and recent weekly beef supplies have averaged 50 to 55 million pounds more than during March 1994. Cattle prices fell dramatically during mid-May.

One important means of stabilizing the market and moving the increased supplies through the marketing system is the Commodity Distribution Program. The beef industry is asking USDA's Agriculture Marketing Service to take advantage of abundant beef supplies and make its beef purchases now for the federal school lunch program. Such a purchase will provide USDA program recipients with a good value for the dollars. It will also help a depressed beef industry by moving more product at a critical time. Additionally, it will help the many other agricultural industries and individuals which depend on the beef industry for business activity. Every dollar of cattle sales generates an additional $5 to $6 of business activity in the farm supply, food and other businesses.

Although this particular example is with the beef industry, the Commodity Distribution Program aids all commodities in a similar manner. An expansion of the Commodity Letter of Credit program would greatly decrease the ability of the USDA to purchase beef both in a timely manner to take advantage of low prices and in the quantity necessary to assist in market stabilization. USDA program recipients, including school lunch participants, get less product for their hard earned money.

The National Cattlemen's Association supports the continuation of the Commodity Distribution Program. The National Cattlemen's Association does not support the Commodity Letter of Credit Program for the reasons outlined in the testimony from the Commodity Distribution Coalition.

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June 9, 1994

TO : House Agriculture Committee
Attention: Julie Paradis and Lynn Gallagher

FROM : Jean Yavis Jones
Specialist in Food and Agriculture Policy
Environment and Natural Resources Division

SUBJECT : Commodity donations to child nutrition programs

This responds to your request for information on the level of Federal commodity donations to child nutrition programs and on trends in commodity support relative to total child nutrition and school lunch program funding.

In FY1993, the Federal government provided a total of $710 million worth of commodities to child nutrition programs. Most of this assistance ($618 million or 87% of the total) was provided under the legislative mandate that a set value of assistance be provided for each lunch served under the school lunch, child and adult care food, and summer food programs. These are so-called "entitlement commodities." The remaining commodity assistance ($90.2 million) was provided as "bonus," that is, from perishable stocks acquired by the USDA for farm support reasons that would be wasted or spoiled if not distributed. Additionally, $2.4 million in administrative funds were used in FY1993 to help the USDA administer alternative commodity systems (e.g. commodity letters of credit, or CLOC).

Most commodity assistance goes to the national school lunch program, which is the largest of the child nutrition programs. In FY1993, the USDA reports that this program received $574.3 million worth of commodity entitlement assistance. This represented 93% of all commodity entitlement assistance provided to child nutrition programs.

In FY1993, $14.7 million (or 2.5%) of the entitlement commodity assistance provided to the school lunch program was provided in the form of cash or commodity letters of credit in lieu of USDA commodities. This form of non-commodity support went for school lunch programs in the State of Kansas ($6.9 million) and for the cash/CLOC project areas authorized to operate alternative commodity systems under the current law ($7.8 million).

Overall, the proportion of child nutrition program assistance provided by the commodity entitlement has fallen since 1981 when Congress enacted substantial program reductions in child nutrition programs, and prior to the

enactment of the current Cash/CLOC pilot project. [1] In FY1981, the value of entitlement commodities for child nutrition programs totalled $632 million, and represented **16.5%** of total Federal child nutrition program support. In FY1993, the value of entitlement commodities for child nutrition programs totalled $618 million, or **8.4%** of total Federal aid to child nutrition. This includes the value of commodity assistance provided through cash/CLOC commodity alternatives. If the value of this alternative assistance is deducted from the commodity entitlement, the value of commodity entitlement assistance provided in the form of USDA commodities falls to $576.5 million, and represents only **7.9%** of total Federal aid to child nutrition.

The program most affected by changes in commodity entitlement reimbursements is the national school lunch program. In FY1981, an estimated $569 million worth of commodities were provided to this program under the entitlement authority. This represented **19.3%** of the total cash and commodity support mandated for the school lunch program in that year ($2.9 billion). This contrasts with FY1993 when commodity entitlement assistance for the school lunch program ($574.3 million) represented only **12.2%** of the total Federal support mandated for the school lunch program ($4.7 billion).

Most of the decline in the proportion of commodity support for child nutrition programs can be explained by the fact that in the 1981 budget reduction law the Congress approved a substantially larger cutback in the per meal reimbursement for commodities than in the cash reimbursements for meals.[2] Moreover, in recent years the index used to determine automatic inflation adjustments of the commodity reimbursement rate has grown at a slower pace than the index used to make inflation adjustments for cash reimbursements. And, finally, program participation declines following the 1981 legislative cutbacks in child nutrition were greatest among non-poor, or so-called "paying students." Since the commodity program does not vary payment rates by a child's family income, the increased proportion lower income participants (whose meals receive substantially higher cash subsidies than non-poor children) has meant that Federal funding growth has been greater for the cash part of the child nutrition programs than for the commodity part.

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[1] Omnibus Budget Reconciliation Act of 1981

[2] It should be noted that following the 1980 and 1981 budget law reductions in commodity assistance, there was a substantial increase in USDA donations of "bonus" commodities. This was due in large part to enormous CCC holdings and the need to dispose of huge inventories to prevent waste. Between 1980 and 1987, the average per meal "bonus" donation for child nutrition programs rose from 2.5 cents to 11.2 cents per meal. This more than made up for the entitlement cutbacks and thus schools did not feel their impact as greatly as otherwise might have been the case. With the decline in CCC holdings beginning in FY1988, however, bonus aid began to drop back closer to the 1980 level: 9.2 cents per meal in FY1988, 8.1 cents in FY1989, 2.7 cents in 1990, 2 cents in FY1991, 3 cents in FY1992, and 2.7 cents in FY1993.

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School Lunch Program: Cash and Commodity Support
Selected Years FY1980 - 1993
($ values in millions)

FY	Total School Lunch Support	Cash Grants	Commodity Support (mandated) a/	Commodity % of total b/
1980	$2,939.3	$2,370.5	$568.8	19.3%
1985	3,123.8	2,659.7	464.1	14.8
1986	3,134.9	2,681.0	453.9	14.4
1987	3,447.6	3,000.8	446.8	12.9
1988	3,413.0	2,935.0	478.0	14.0
1989	3,510.7	3,004.9	505.8	14.4
1990	3,759.9	3,230.0	529.9	14.0
1991	4,109.3	3,553.2	556.1	13.5
1992	4,437.6	3,870.1	567.5	12.7
1993	4,704.2	4,129.9	574.3	12.2
% Change since '80	+ 60%	+74%	+.1%	not relevant

a/ Includes the value of cash in lieu of commodities and CLOC. Since FY1985 cash/CLOC values have totalled in the range of $11.6 million to $14.7 million annually for the Kansas and cash/CLOC projects.
b/ Represents the proportion of total Federal support provided to the school lunch program, not the proportion of food value provided by commodities.

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